



Texas Law Office Handbook

THIRD EDITION



Texas Association
of Legal Secretaries

Chapter
EIGHTEEN

**INTELLECTUAL PROPERTY:
PATENTS, TRADEMARKS,
COPYRIGHTS AND
TRADE SECRETS**

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A. INTRODUCTION

§18.01. Definition

“Intellectual property” is intangible property created by one’s intellect which is inherently one’s own property. Subparts of this broad area of intellectual property are patents, trademarks, copyrights, and trade secrets. While this area of law has traditionally been known as “patent law,” the area of legal practice is much broader.

In this chapter a continuing example, that builds as the reader goes through the chapter, will be used to illustrate various points. The example will be followed by a very generalized discussion of the law and, where appropriate, example forms will be included. The forms are intended to be impartial, that is, not to favor either side.

Monday morning, Susie Secretary came in to see her boss, Paul Pattents, indicating she had a great idea that was going to make her a million dollars, and she wanted to protect her idea. Mr. Pattents, being an intellectual property attorney, asked Ms. Secretary to explain the idea.

She explained: During a tennis match as Bob Boyfriend victoriously jumped over the net, he made the comment that Ms. Secretary’s backhand was not up to par. Ms. Secretary knew her backhand was weak because she could not follow through. The reason was that all those hours sitting in front of her computer had caused her some back pain and she did not have time to exercise during the day because Mr. Pattents was a workaholic who always needed her assistance. She sketched her concept for a secretarial chair that would massage one’s back while working. While Ms. Secretary did not understand how the chair would eventually work, she drew a black box under the chair indicating that it would cause movement of the seat and back during use in a rolling

fashion rather than an oscillating motion the way vibrating chairs traditionally work. Mr. Boyfriend was mechanically inclined and offered to help her with the mechanical details.

§ 18.02. General Advice

Normally, Ms. Secretary would not be able to obtain any protection on her “idea” or “concept,” as described other than possibly a contractual obligation of confidentiality with a reviewing party. Mr. Pattents advised Ms. Secretary to consider the five following areas as they apply to her concept:

1. Patents
2. Trademarks
3. Copyrights
4. Trade Secrets
5. Contracts

(Each of these areas will be covered individually later in this chapter.)

However, Ms. Secretary’s “concept” had not evolved to the level of obtaining protection in any of these areas; it was still just an idea. The concept must be further refined and “reduced to practice” before any meaningful protection could be obtained. Mr. Pattents suggested to Ms. Secretary, perhaps Mr. Boyfriend could help her develop a prototype of the chair.

B. PATENT PROTECTION

Even though Mr. Boyfriend was a good friend, Ms. Secretary soon found out that he did not know anything about chair design or construction. When Ms. Secretary started investigating chairs, she met Irwin Inventor who had just retired after working 50 years designing chairs for Ajax Chair Company. She wanted to hire Mr. Inventor as a consultant to assist her in the design of her chair; however, she was afraid to even disclose the “concept” to Mr. Inventor unless she had some type of protection.

§18.03. Confidentiality Agreements

So that Ms. Secretary could at least engage in a conversation with Mr. Inventor about her concept, Mr. Pattents adapted his standard Invention Disclosure Agreement to cover the present situation. (*See Form, §18.28.*)

Armed with the Confidential Disclosure Agreement, Ms. Secretary and Bob Boyfriend went to see Mr. Inventor. After Mr. Inventor signed the Confidential Disclosure Agreement, they freely discussed the concept for the chair. Mr. Inventor was well aware of the various vibrating chairs that had been made and sold in the past and was the inventor on a number of patents concerning vibrating chairs. After some discussion, Mr. Inventor indicated he would be willing to work with them in some type of employee/consultant status if he were to be paid \$50 per hour. He suggested they write a simple agreement they would all sign. When Mr. Boyfriend started balking at signing the agreement that would obligate him to pay \$50 per hour for Mr. Inventor's time, Ms. Secretary indicated she would have Mr. Pattents draw up the agreement, and she alone would sign the agreement.

§18.04. Employment/Consulting Agreement

When Ms. Secretary was discussing an employee/consulting agreement with Mr. Pattents, Mr. Pattents indicated the agreement would be different if Mr. Inventor were a consultant or if he were an employee. Mr. Pattents showed Ms. Secretary the Employment Agreement he typically used that would (1) transfer all patent and copyright rights to the employer, (2) obligate the employee to confidentiality, and (3) contain a non-competition clause. (*See Form, § 18.29.*)

However, Mr. Pattents recommended a Consulting Agreement that would obligate Mr. Inventor to assign his inventions to Ms. Secretary in turn for payment of his consulting fee. (*See Form, § 18.30.*) While this put quite a strain on Ms. Secretary's finances and meant she had to dip into her inheritance, she decided to use the Consulting Agreement modified to apply to her particular situation.

After signing the Consulting Agreement, Mr. Inventor developed a prototype of the chair. The chair had a belt enclosed within a frame with the chair covered with a flexible vinyl that had a felt-like material glued to the outer surface. Under the vinyl and

mounted on the belt were a series of finger-like nodules that would rub against the underside of the vinyl. The action of these nodules against the vinyl had a feel similar to human fingers giving a back massage.

The operation of the conveyor belt was controlled by a small electric motor enclosed within the frame. Because of the inconvenience of an electrical cord being connected to the chair, Mr. Inventor also developed an alternative design that used a rechargeable battery pack rather than having the electric motor connected to an electrical outlet.

§ 18.05. Utility Patent

Ms. Secretary brought the prototype to the office and showed it to Mr. Pattents. After doing a patentability search, Mr. Pattents concluded the chair appeared to be patentable. Contrary to Mr. Pattents' usual custom, he agreed to withhold his fee until the chair was on the market.

Utilizing the prototype, Mr. Pattents had drawings made and subsequently prepared a utility patent application, complete with drawings, specification, and claims. The patent application was 15 pages long, about typical for such a patent application. The drawings showed how the chair worked mechanically and electrically, the specification described the chair in a manner as prescribed by the Rules of Practice before the United States Patent and Trademark Office, and the claims defined the scope of the claimed invention.

Mr. Pattents gave the application to Ms. Secretary and Mr. Inventor for them to review. After they made corrections, Mr. Pattents gave them a corrected copy along with a Declaration and Power of Attorney for them to sign. (*See Form, § 18.31.*) Also, he prepared an Assignment to be executed by Mr. Inventor to assign all of his patent rights to Ms. Secretary. (*See Form, § 18.32.*) Since Ms. Secretary met the requirements to be classified as a small entity and to keep Ms. Secretary from having to pay a higher filing fee, Mr. Pattents had her execute a Declaration of Small Entity Status (*See Form, § 18.33*) for submission with the patent application. Fees for a small entity are generally half of the regular fee.

In mailing the patent application to the U.S. Patent and Trademark Office, Mr. Pattents made sure he included the following items:

1. Specifications, including the claims;
2. Drawings;

3. Declaration and Power of Attorney (Form, § 18.31);
4. Assignment from Mr. Inventor (Form, § 18.32);
5. Declaration of Small Entity Status (Form, § 18.33);
6. Check in the amount of \$185 (This will vary depending on the number of claims.);
7. New Application Transmittal (Form, § 18.34) (*This can be a simple cover letter.*).

After this was complete, Mr. Pattents told Ms. Secretary she was as safe as she could be and to now pursue marketing her invention. While Mr. Pattents had explained to her earlier that she could pursue the possible marketing of her invention for one year prior to filing her patent application, there is always the danger of someone stealing the invention and claiming that it was invented by them. Also, it is impossible to stop someone from infringing the invention until the patent actually issues. The longer the delay in filing a patent, the longer the delay prior to the patent being approved, which is when the patent is issued. Average pendency of a patent application before issuance as a patent by the U.S. Patent and Trademark Office is currently approximately two years.

§18.06. Design Patent

While it was too early at this stage to file a design patent application to protect the “ornamental” appearance of the prototype chair, Mr. Pattents explained the overall external appearance as it appears to the eye may be sufficient for design patent protection. Once the final design has been refined to the production stage, Mr. Pattents suggested a design patent to cover the ornamental external appearance be prepared and filed. Mr. Pattents explained the difference between a utility patent, which covers how the chair operates internally and is patentable under 35 U.S.C. § 101, and a design patent, which covers “any new, original or ornamental design for an article of manufacture” and is specifically covered under 35 U.S.C. § 171.

§18.07. Maintenance Fees

Mr. Patents further explained that a patent has a 17 year life with maintenance fees being due within six months prior to 3½ years, 7½ years, and 11½ years after the date of issuance. The maintenance fees can be paid within six months after these dates with the additional

payment of surcharge (late) fees. If the payments are not timely paid, the patent will be considered abandoned and all patent protection lost forever.

§18.08. Who Can File the Patent Application

The patent statutes are Title 35 of the United States Code. The regulations implementing Title 35 are 37 Code of Federal Regulations §§ 1.1 through 1.785. Under 35 U.S.C. § 31 and the implementing regulations of 37 C.F.R. § 1.31, the only lawyer who can represent an individual before the United States Patent and Trademark Office is one who is registered to practice before the United States Patent and Trademark Office. This requires taking and passing an examination commonly referred to as the “Patent Bar.” Therefore, in seeking a lawyer’s advice concerning the filing and prosecuting of patent applications, one should always go to a registered patent attorney. Otherwise the inventor will be running the risk of possibly losing his invention.

While an inventor may file and prosecute his own patent application before the United States Patent and Trademark Office, he should obtain the assistance of a patent attorney or agent. An agent is a non-lawyer who has passed the “patent bar.” If an inventor does not use a patent attorney or agent, in all probability the inventor will have difficulty in obtaining any meaningful patent protection.

§18.09. Invention Brokers

In recent years, questionable practices have developed involving “invention development companies” or “invention brokers.” These brokers will normally promote the invention to the inventor claiming it is the best thing since sliced bread. The inventor will end up paying money to the broker for services which give the inventor no protection and, on some occasions, even destroy the inventor’s patent rights. The statute entitled “Regulation of Invention Development Services Act” is designed to control most of these questionable practices. (Texas Revised Civil Statutes Annotated, Article 9020 (1982-83 Supplement).)

§ 18.10. Notice

A “patent pending” notice can be put on a product while the patent application is pending. After the patent issues, a patent notice *must* be put on the product or the patent owner may not be able to recover damages for infringement. After the issuance of the patent, a typical notice would be “U.S. Pat. 4,000,000.”

§ 18.11. Scope

The scope of this section is not intended to cover the details of obtaining a patent from the United States Patent and Trademark Office after the application is filed, nor is it intended to cover the details of how to enforce the patent in a suit for patent infringement.

§ 18.12. Misconceptions Concerning Patents

Many misconceptions concerning patents have evolved. Some people believe they can describe the invention on a piece of paper, mail the piece of paper to themselves, leave it unopened and that, in some way, protects their invention. This is not true.

Another common misconception is that the filing of an Invention Disclosure Document in the United States Patent and Trademark Office protects the invention. Again, this is not true. All the Invention Disclosure Document provides is proof of the date of invention. The same proof can be generated by a signed, dated and witnessed document. The Invention Disclosure Document itself gives no patent protection. The Invention Disclosure Document is a common ploy of unscrupulous invention brokers.

The filing of a patent application does not give any patent protection for the applicant. It is a contingent right that is dependant upon the application subsequently being issued as a patent. No one can be stopped from manufacturing a product covered in a patent application. Only issued patents can be used to enjoin infringing activity.

§ 18.13. Licensing/Distribution

After the patent application was filed, Mr. Inventor introduced Ms. Secretary to his former employer, Ajax Chair Company. After

signing a confidential disclosure agreement (Form, § 18.28), the concept was discussed with Ajax Chair Company who was interested in marketing the product. The only question was whether Ajax Chair Company would manufacture the chair or Ms. Secretary would have someone else manufacture the chair for sale and distribution by Ajax Chair Company. After some negotiations, Ms. Secretary was presented with either a License Agreement (*see* Form, §18.35) or a Distributorship Agreement (*see* Form,, § 18.36).

Having an entrepreneurial spirit, Ms. Secretary decided to set up her own company to manufacture and sell the product. This way she could make more money than if she simply licensed the invention; however, the risks were much greater.

Prior to selecting the Distribution Agreement over the License Agreement, Ms. Secretary investigated and learned she could have the chair made on a small scale basis by Cecil's Cabinet Shop for resale to Ajax Chair Company. She would make a nice profit as the middle man and patent owner. She figured she could literally operate the business from her garage with the chairs being delivered from Cecil's Cabinet Shop directly to Ajax Chair Company or, in the alternative, drop shipped to the retail outlets. The only problem was that Ms. Secretary had to use the remainder of her inheritance to order the first chairs, get them ready for shipment, design the packaging, and everything that is necessary to get a new product on the market prior to cash flow coming in. It was an all or nothing situation!

C. TRADEMARKS

While Mr. Boyfriend was not able to develop the prototype, he was quite a salesman. He suggested the trademark CHAIROBICS for the chair. After the chairs had sold and a period of time had passed, there would be need for repairs, due to the moving parts contained inside the chair. Mr. Boyfriend envisioned a nationwide chain of authorized CHAIROBICS repair facilities. Ms. Secretary, being more practical, simply wanted to be sure she owned the rights to the mark CHAIROBICS if she were to use it on her chair.

Al Artist prepared an attractive logo of an attractive lady using the CHAIROBICS chair. Ms. Secretary wanted to use the logo as part of her mark to identify her chair.

§ 18.14. Protection of Trademarks

When Ms. Secretary got together again with Mr. Pattents, he explained a person could develop trademark or service mark rights simply by using a mark to identify his goods or services. If the mark is not registered, it is referred to as a common law mark. If a registration is obtained, then a person has protection under the statutory provisions. As Mr. Pattents explained, the State of Texas, where they were located, has a trademark statute (Texas Business and Commerce Code Annotated, §§ 16.01, *et seq.*) that allows her to file a state trademark application for CHAIROBICS, with or without the logo, as soon as she had made her first sale in Texas of the chair with the mark attached to the goods. However, under the federal statute known as the Lanham Act, (Title 15 U.S.C. §§ 1051 *et seq.*) she was allowed to file an intent to use registration simply based upon a bona fide intent to use the mark within the next year after the application for registration. The Lanham Act is implemented by the Code of Federal Regulations which defines what is required in a trademark or service mark application. (37 C.F.R. § 2.1 *et seq.*)

Mr. Pattents explained to Ms. Secretary that she probably should have a search performed to determine if the mark CHAIROBICS was available for use. Pursuant to his recommendation, a search was made of the various secretaries of state of all states to determine their registered marks and in the United States Patent and Trademark Office. The decision was made not to do a more detailed search referred to as a “common law search” because there is no statutory presumption of notice for unregistered marks. After the search came back and it appeared that the mark CHAIROBICS was available, Ms. Secretary decided to proceed with filing the federal Intent to Use Application on the mark CHAIROBICS. (*See Form, § 18.37.*)

Mr. Pattents explained that if the logo is used as part of the mark, it may be possible to register the logo individually or in combination with the term CHAIROBICS. Further, the term CHAIROBICS could be registered individually. The decision was made to simply file the mark CHAIROBICS at the present time and, if the product became successful, to later look at protecting the logo. Mr. Pattents did advise Ms. Secretary that she needed to get an assignment from Mr. Artist of any rights that he may have to the logo including copyright rights. (*Copyright rights will be covered in detail in Section IV.*)

As time passed, the CHAIROBICS chair was made to order by Cecil’s Cabinet Shop and delivered to Ajax Chair Company as the orders were received by Ms. Secretary. The labeling and

packaging used the logo and the mark CHAIROBICS to form a composite mark. Sales were made by Ajax Chair Company, first in the State of Texas, and then throughout the United States. As the popularity of the chair increased, Ms. Secretary decided to incorporate her business for limited liability under the name Chairobics, Inc.

To ensure her trademark position was solid, Mr. Pattents now filed with the United States Patent and Trademark Office proof of actual use of the mark. This must be done within six months of the filing of the intent to use registration. However, the time period can be extended for six months more for a total of one year upon submitting the proper affidavit. Next, Mr. Pattents prepared and filed a trademark application for the logo with the term CHAIROBICS in the United States Patent and Trademark Office based upon actual use. (*See* Form, §18.38.)

Because Ms. Secretary had now incorporated, it was necessary to record an assignment of the application to register the mark CHAIROBICS from Ms. Secretary, individually, to the corporation, Chairobics, Inc. Mr. Pattents used his standard assignment form in recording the trademark assignment (*see* Form, § 18.39) in the United States Patent and Trademark Office.

Right after the first sale, Mr. Pattents had also prepared and filed a state trademark application with the Secretary of State for the State of Texas for the mark Chairobics. This was to give some interim protection until the federal registration had issued. Also it allowed for an additional cause of action for state trademark infringement if someone was infringing in the State of Texas. Mr. Pattents used the standard state trademark/service mark application. (*See* Form, §18.40.) When Ms. Secretary incorporated her business, he had to record a state trademark registration assignment. Again, he used his standard assignment. (*See* Form, § 18.41.) Mr. Pattents explained she should use the notation "™" as a subscript to the mark CHAIROBICS, with or without the logo. This gives the whole world notice she is claiming trademark rights to the mark Chairobics. Once the federal registration issues, the notation should be changed to ®. If this is not done, she may not be able to recover damages from an innocent infringer.

§18.15. Renewal of Registrations

Mr. Pattents reminded Ms. Secretary of dates that had to be docketed for each of the trademark registrations. The state registration had to be renewed between 9½ and 10 years from the date of issuance of the

registration. (See Form, § 18.42.) Also, the federal registrations had to be docketed for the filing of Section 8 Affidavits, which indicate that the mark is still being used, and Section 15 Affidavits, which indicate the use was continuous. These are usually filed as a Combined Sections 8 and 15 Affidavit. (See Form, § 18.43.) These affidavits must be filed between the fifth and the sixth years after registration. The petition to renew the federal registration must be docketed for filing between 9½ and 10 years. (See Form, § 18.44.)

§18.16. Trademark Office Address

Mr. Pattents reminded Ms. Secretary that if there were any problems concerning either the state or the federal trademark applications, the addresses and phone numbers to be used are as follows:

Secretary of State, State of Texas
Statutory Filings Division
Corporations Section
Attn: Trademark Examiner
P.O. Box 13697
Austin, Texas 78711
Telephone: (512) 463-5576

Commissioner of Patents and Trademarks
Washington, D.C. 20231
Telephone: (703) 557-3158 (General Information)

For the U.S. Patent and Trademark Office, specific inquiries should be directed to the particular trademark Examiner who is examining the application. Further, a particular post office box will be indicated in the first action for corresponding with the assigned Examiner.

D. COPYRIGHTS

§18.17. Assignments in Writing

At the very beginning, Mr. Pattents had explained to Ms. Secretary that if anyone creates copyrightable subject matter, there must be an *agreement in writing* to transfer the copyright rights from the creator to her. Otherwise the creator owns the copyright rights, not Ms. Secretary. (17 U.S.C. § 204.) Therefore, at the time of purchase of the logo design

from Al Artist, he executed an assignment of any copyright rights that he claimed to the logo. (See Form, § 18.45.)

As time passed, the CHAIROBICS Chair became very successful. Various types of advertisements promoting the product were printed and distributed. Also, instructions were shipped with the product explaining how the chair was to be assembled, operated, and maintained. Likewise, repair and maintenance manuals were prepared. Chairobics, Inc. became so successful, Ms. Secretary had to quit working for Mr. Pattents to run her business. However, Mr. Pattents continued as her intellectual property attorney.

Later, Ms. Secretary set up her own manufacturing facility. Next, she set up her own authorized service facilities, which would repair and maintain the Chairobics chairs. Through the use of franchising, she set up Chairobics stores throughout the country (which were normally combined with an authorized repair facility) to sell the Chairobics chairs. This operation required the full myriad of operation manuals, advertisements, instruction booklets, just to name a few of the items used.

§ 18.18. Copyright Notice

Mr. Pattents advised Ms. Secretary to put a copyright notice on every piece of literature or other information that was created by (or for) Chairobics, Inc. Anyone who created any of the literature executed an assignment of copyright rights. The notice of copyright consists of the following three elements:

1. (a) "copyrighted,"
(b) "copr." or
(c) ©
2. the year of publication, *i.e.*, "1990," and
3. the name of the copyright claimant, *i.e.*, "Chairobics, Inc."

If this copyright notice is not placed on the item for which copyright protection is claimed, the copyright rights will be lost.

§ 18.19. Recording a Copyright

Mr. Pattents explained that it was not necessary to record all copyrights. For example, if an advertisement is only going to be used a

few months and if no one infringes that advertisement during that period of time, it would not be necessary to record the copyright in the copyright office. However, if the copyright is recorded within the first three months after the date of publication, increased remedies would be available to Chairobics, Inc., namely, attorney's fees and statutory damages. The practical side, explained Mr. Pattents, is to record copyrights on the more important items such as the design of their package, instruction manuals, operations manuals, just to name a few.

§18.20. Copyright on Ornamental Design

It may be possible to get a copyright on the ornamental appearance of the external features of the chair. Mr. Pattents explained there is an overlap in this area between design patent protection and copyright protection. Since copyright protection is good for the life of the creator plus 50 years, or, in the case of a corporation, no less than 75 years, it makes sense to obtain copyright protection on ornamental features.

§18.21. Copyright Applications

The filing fee for a copyright application is only \$20 per application. To assist Ms. Secretary in obtaining copyright protection, Mr. Pattents gave her the following copyright forms issued by the Copyright Office to be used in obtaining copyright protection.

1. TX—for printed publications consisting primarily of text material, such as the maintenance manual or operations manual. (See Form, § 18.46.)
2. VA—For visual arts, such as works of art, the ornamental appearance of the chair or the logo. (See Form, § 18.47.)
3. PA—For performing arts, such as the audio-visual works like television commercials. (See Form, § 18.48.)
4. SR—For sound recording, such as radio advertisements. (See Form, § 18.49.)

After showing Ms. Secretary the forms for copyright protection, Mr. Pattents explained there was one area of the form that was very confusing and needed some explanation. The block entitled “work made for hire” probably creates more confusion than any other single aspect of the copyright form. If the person who created the copyrightable work is an employee of Chairobics, Inc., the work for hire block can be checked,

but in that case the author would be Chairobics, Inc. On the other hand, if someone other than an employee (such as a consultant) prepared the copyrightable work, then the consultant's name would be listed as the author and under "work made for hire," the answer would be "no." In those cases, an assignment of the copyright right would have to be executed from the consultant to Chairobics, Inc.

Also, if part of the work came from pre-existing material, such as an earlier edition of the maintenance manual, the pre-existing material must be identified as well as the material added in the work being copyrighted. This can normally be done by a general description of what is pre-existing material and what is new material. If necessary, additional pages may be used for any blank.

§18.22. Correspondence to Copyright Office

While cautioning Ms. Secretary to be entirely truthful in the copyright application, to avoid any contention of fraud in the copyright registration in the event of subsequent litigation for copyright infringement, Mr. Patten pointed out that if she were mistaken in the type of form used, the copyright office would correct her and tell her what was the proper form. Mr. Patten indicated to her the address and the telephone number for the Copyright Office for the ordering of forms or other information was as follows:

Register of Copyrights
Library of Congress
Washington, D.C. 20559
Phone: (202) 479-0700

§18.23. When to File

While explaining copyrights to Ms. Secretary, Mr. Patten suggested they routinely send in copyright applications on their more important material. If these copyright applications were received by the Copyright Office within three months of the date of publication of the particular work, then the maximum amount of remedies could be obtained including injunction, actual damages, statutory damages, and attorney's fees. The recovering of attorney's fees could be very important because the cost of litigating a copyright infringement suit could be more expensive than actual damages. Even on copyrights not filed in the first

three months, they must be filed and issued before a copyright infringement suit is filed.

E. TRADE SECRETS

§18.24. How to Protect Trade Secrets

The Invention Disclosure Agreement (*see* Form 1), executed prior to discussing the invention with Irwin Inventor, is an example of what could be done to protect a trade secret. As the business grew, customers who purchased the CHAIROBICS chair are an example of a trade secret. These customer names are a potential source of later repair work through the authorized dealers. There can be trade secrets on how the CHAIROBICS chair is manufactured. Assume the following additional facts:

While Mr. Inventor was developing the prototype for the chair, Ms. Secretary was trying to develop a fabric that would give a satin feel to the body. She even tried gluing a sheet of satin to a vinyl strip, but the layers would always come apart when the nodules on the conveyor belt rubbed against the laminated strip. Flustered with the continual delamination, Ms. Secretary combined two “off the shelf” glues which—presto—worked! No more delamination! After Mr. Pattents conducted a search, it appeared questionable if patent protection could be obtained on the new glue or the process of laminating the satin to the vinyl.

After extended discussions between Mr. Pattents and Ms. Secretary, it was decided to keep the combined glues and the lamination process a trade secret. To ensure the secrecy, Ms. Secretary had all of the employees sign Employment Agreements prepared by Mr. Pattents. (*See* the previously mentioned Form, § 18.29.) Also, to maintain confidentiality, visitors were not allowed access to the department that mixed the glues or laminated the satin and vinyl. The formula for the glue was kept under lock and key. If any visitors did go to the area of the factory where the secret process was being practiced, they had to execute a Visitors Agreement to keep everything confidential. (*See* Form, § 18.50.) Also, a log of the visitors was maintained with their name, address, and name of company represented. Suppliers that furnished the two glues used in preparing the composite glue were required to execute a Supplier’s Agreement before any information concerning the secret

glue mixture could be disclosed to them. (*See Form, § 18.51.*) In other words, Ms. Secretary used every possible precaution to protect the secret formula and process as a trade secret.

F. CONTRACTS

§18.25. Generally

As has been seen in the examples used in this chapter, contracts can be used to protect an invention. For example, Ms. Secretary may use an Exclusive Manufacturing Contract with Cecil's Cabinet Shop, so that Cecil will only make the CHAIROBICS chair for her. (*See Form, § 18.52.*) This is done so that in the event patent protection is not obtained, or while it is pending, Ms. Secretary can ensure that she is not creating her own competitors when she starts contracting with others.

While it is a much more massive topic than this chapter, when Ms. Secretary sets up her Chairobics franchises, Uniform Franchise Offering Circulars, Franchise Agreements, and numerous other disclosure documents will become necessary. The agreements Ms. Secretary enters into concerning her Chairobics Chair would normally be enforced, if they are not so broad that they violate some other statute.

G. UNFAIR COMPETITION

§18.26. Generally

After Mr. Boyfriend and Ms. Secretary broke up, Mr. Boyfriend designed a similar chair that he marketed under the mark of CHAIRGONOMICS. The CHAIRGONOMICS chair was advertised to basically the same customers who purchased the CHAIROBICS chair. Many of Mr. Boyfriend's advertisements were partial copies of the ads previously used by Ms. Secretary. Mr. Boyfriend even contended to the public that his CHAIRGONOMICS chair was the original. These acts caused considerable confusion in the marketplace and among the customers. Ms. Secretary even had people return the CHAIRGONOMICS chair to authorized repair facilities for

CHAIROBICS. Ms. Secretary went to Mr. Pattents to find out what she could do.

Mr. Pattents explained that she could sue Mr. Boyfriend with numerous causes of action including the following:

1. Patent infringement if the CHAIRGONOMICS chair infringes the claims of the patent.
2. Trademark infringement (federal and state) based upon a likelihood of confusion between the marks CHAIROBICS and CHAIRGONOMICS.
3. Common law unfair competition between the CHAIROBICS and CHAIRGONOMICS products and/or services.
4. Federal unfair competition under § 43a of the Lanham Act.

Mr. Pattents also explained a new statutory provision that had just been enacted commonly referred to as the “anti-dilution” statute. If a person does something to dilute the value of your name or mark, you may bring a cause of action against them for trademark dilution. (Tex. Bus. Com. Code Ann. § 16.29.) Under each of the statutory causes of action, injunctive relief is available as well as damages. Most allow for the recovery of attorney’s fees, and some allow increased damages if the acts are willful.

H. SUMMARY

§18.27. An Overview

To protect a product or service, a person can use (1) patents, (2) trademarks, (3) copyrights, (4) trade secrets or (5) contracts depending upon the particular facts. However, once someone starts copying the product or service, then another form of relief may also be available, which is unfair competition. While unfair competition is a good catch-all to use, if statutory relief is available, such as patent, trademark, or copyright infringement, the statutory relief is normally stronger.

Ms. Secretary with the help of Mr. Pattents was able to build an effective wall of prospective protection of her invention which ultimately became the CHAIROBICS chair. By using this effective wall of protection, the Chairobics, Inc. business grew into a nationwide business. Once copying of her product did occur, Ms. Secretary had a number of ways to stop or reduce the competition.