

## A FRAMEWORK TO PROTECT INTELLECTUAL PROPERTY

*The following is an excerpt of a Legal Issues session presented by Greg Carr at the Southwest Equity Capital Summit, which was held on October 2, 2002 in Richardson, Texas.*

Intellectual Property is, in essence, **information that is useful**, by virtue of actual use or use in decision-making. Easy to replicate and initially difficult to identify, useful information is illusive and is subject to loss. Intellectual Property seeks to reduce the uncertainty surrounding what happens to that information. The fruits of implementing an intellectual property protection plan are **minimizing cost and avoiding risk**.

### APPROACH FOR EMERGING COMPANIES

Today, many of the approaches used centuries ago to protect physical assets, such as land, apply to protect valuable business information. William the Conqueror, who came from Normandy to conquer England, provides the best framework for emerging companies. His principles were to get control of the land first, protect it, keep it and expand the kingdom.

1. He identified the crown jewels. Today, a company identifies its intellectual property.
2. He made sure they were real and available. Today, that means searching and securing legal opinions concerning rights to use Intellectual Property. This step is key to understanding whether copyrights, trademarks or patents exist that would pose a conflict.
3. He identified the land of the kingdom. William identified land with access to commerce. Today, a company would identify the market.
4. He built strategically located barriers. Today, a company uses patents, trademarks, copyrights and trade secrets to safeguard Intellectual Property.
5. He raised the flag of the kingdom from the highest tower. Today, the flags are the trademarks for a business.
6. Lastly, he put the seal of the crown throughout the kingdom. Similarly, a company works to expand and defend the share of its products and services within a market.

## FORMS OF INTELLECTUAL PROPERTY

Intellectual Property takes one of four forms: patents, trademarks, copyrights and trade secrets. Regardless of the form, Intellectual Property can be conveyed digitally, orally, visually, by memory and by any other means available.

For **patents**, Edison's patent for the light bulb and the Wright brothers' patent for a flying machine provide two examples of pioneering inventions.



For **trademarks**, Yahoo!® proves the validity of trademarks on more transient mediums, such as computer screens. Intellectual Property is now generally treated the same way whether on paper, floppy disk, CD-rom or online.



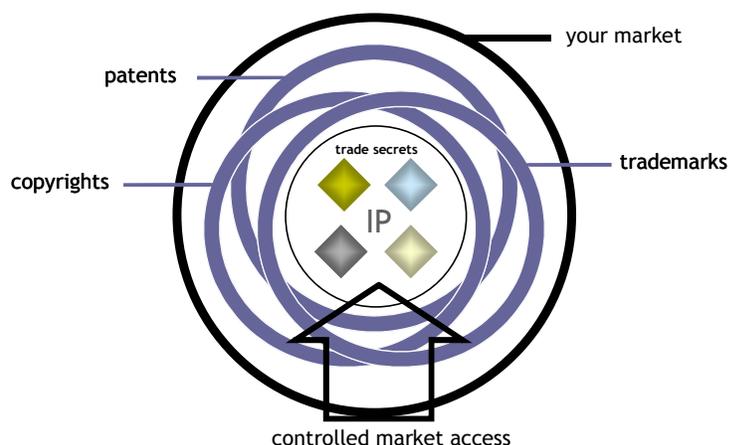
Computer programs, documents and virtually all other expressions of information other than in the form of a useful article or process, fall under **copyrights**. This type of protection encompasses the form in which information is actually conveyed, and, for example, includes sculptures, images and music.

Every piece of useful information a company creates, from processes and software to marketing plans, supplier and customer lists, and technology, should initially be treated as a **trade secret**. This is the fundamental, primary boundary that a company builds around its information until it is decided which form of Intellectual Property protection best applies.

Copyrights, trademarks and patents work best for information that will be viewed or discerned in the marketplace. By its nature, such information is made available to the public through an offered product or service, and thus is susceptible to being reviewed and studied. Trade secrets are also the initial barriers employed to protect useful company information.

## A LEGAL BARRIER

Securing Intellectual Property begins with review and consideration of the amorphous company. Procedures, tailored for the company, are implemented to identify and protect information, such as the company's business methods, plans, products and services, using appropriate forms of Intellectual Property.



Initially, **trade secrets** surround the crown jewels - Intellectual Property. This first-defense protection is achieved through agreements with employees, vendors and other partners. Physically limiting access to important information complements such agreements.

Next, choose what information will be guarded by **patent** protection. When a company chooses patent protection, the information contained in the patent application

is not immediately available to the public upon filing. The application and its contents will, however, become publicly available if and when the application is published (at about 18 months after filing) or a patent is issued. In many cases, publication of the information can be avoided to maintain the initial trade secret protection, by abandonment of the application before publication or patent issuance. This may be preferable if sufficiently broad patent protection cannot be obtained or seems unlikely.

The next protective barrier is **copyrights**, covering forms of expression. For example, computer code, although useful, is still protected by copyrights as a form of expression. It is considered “a writing” much like a book, although the machine on which the code runs is a useful article or product that cannot be protected by copyright.

**Trademarks** should be used as barriers to secure the right to exclusively use any mark or other information that identifies the products and services provided by the capital, business acumen and innovation of the company. It is important to develop a favorable association with the company using trademarks, market them with products and services consistently and, ultimately, to register such marks. Registration preserves rights of the company to expand geographically.

These Intellectual Property barriers control access to and use of information by personnel within a company and by competitors outside the company.

## **FUNDAMENTAL ATTRIBUTES**

One of the most valuable attributes of useful information such as Intellectual Property is its ability to be shared with and benefit an unlimited number of people simultaneously, such as through a printing press, the Internet or any other form of replication or communication. Controlling use of this attribute is typically how companies that produce Intellectual Property generate revenues and grow their businesses.

Intellectual Property laws provide the owner with the only legally recognized right to control access to and use of such useful information. An owner of Intellectual Property rights charges a toll for use of the protected subject matter. The toll typically comes in the form of a higher price than if the Intellectual Property was readily available elsewhere and through royalties others must pay for access and use. Of course, exclusivity in a market obtained through successful Intellectual Property protection can entitle the owner to the lion’s share of or even all sales within the market.

## **MINIMIZE THE RISK**

From seeking funding to hiring employees, inherent Intellectual Property risks must be identified and mitigated where possible by building walls around valuable information. For example, potential investors attend meetings, where they are given access to plans and ideas of the business, for example. Many investors will not initially sign non-disclosure agreements. To safeguard plans and ideas, a company should therefore document information **before the meeting** that shows the company had the idea first. If the information is potentially patentable, a company should strongly consider filing a provisional or non-provisional patent application with the U.S. Patent & Trademark Office, before sharing significant aspects of the information with others.

Consultants generally pose the greatest potential risk, if they collaborate with existing and would-be competitors. Consultants frequently obtain knowledge of plans, products and services, which could give a competitor a great advantage. Any business hiring a consultant should require consultants to avoid such conflicts of interest.

Other high-risk personnel are former partners and employees. All should have initially signed agreements with the company to ensure the company owns the Intellectual Property created and that confidential information will not be shared with others during their relationship with the company and thereafter.

Once the Intellectual Property walls are built, they create legal barriers affording exclusive rights to the protected information, preventing access to and use by existing or would-be competitors. Doing so preserves strategically important advantages of the company that are usually needed to preserve and grow market share.



CARR LLP, a Dallas-based Intellectual Property law firm, represents emerging businesses to Fortune 100 companies in connection with all aspects of patent, trademark, copyright, trade secret and related antitrust counseling, protection, litigation and licensing. All lawyers of the firm are licensed to practice before the U.S. Patent and Trademark Office. For more information, please visit [www.CarrIP.com](http://www.CarrIP.com) or call 214.760.3000.

*This overview is provided for general education purposes and is not intended to serve as or replace legal counsel. Individuals should consult an attorney for specific information.*