

IP Myths, Traps and Disaster Avoidance for the Non-IP Lawyer

David G. Henry, Sr
Munck, Wilson & Mandala / Baylor Law School

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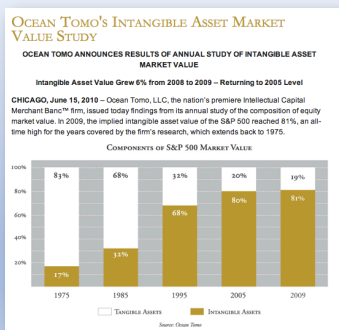
TEXAS RULES OF PROFESSIONAL RESPONSIBILITY

Rule 1.01 Competent and Diligent Representation

(a) A lawyer shall not accept or continue employment in a legal matter which the lawyer knows or should know is beyond the lawyer's competence, unless:

- (1) another lawyer who is competent to handle the matter is, with the prior informed consent of the client, associated in the matter; or
- (2) the advice or assistance of the lawyer is reasonably required in an emergency and the lawyer limits the advice and assistance to that which is reasonably necessary in the circumstances.

IP: WHY DO (OR SHOULD) YOU AND YOUR CLIENTS CARE?



MORE OF WHY YOU AND YOUR CLIENTS SHOULD CARE ABOUT GOOD, COMPETENT IP COUNSELING:

- Imagine being the one that made a BILLION DOLLAR mistake!
- Imagine being the one that prevented your client (or a company employee) from making a BILLION DOLLAR mistake.



IP PROTECTION IS THE *EXCEPTION*, NOT THE RULE

- GENERAL RULE = **FREE ENTERPRISE**
- IP RULES AND DEADLINES ARE **STRICT AND UNFOREGIVING** (**IGNORANCE CAN LEAD TO DISASTER**)
- IP is worth seeking – *legal* competition avoidance (versus antitrust)
- Part of business and legal strategy may be dealing with, and planning for absence of IP protection.
- Your clients must act and be counseled wisely (Rule 1.01).

IP CATEGORIES

- Copyrights
- Trademarks
- Patents
- Trade Secrets
- Additional Concern: Export Control Laws

Copyrights

- **Copyright:** Protects **EXPRESSION** of ideas and information, **NEVER** protects the ideas or information itself.
- Applies to: Books, software, movies, paintings, recorded music....
- Copyright does **NOT** protect: facts, laws of nature, ideas.



COPYRIGHTS

- **MYTH:** If you change someone else's work enough (the "percent change rule"), you can "get around" their copyright (advice that I have heard from some lawyers!).
- **REALITY:** Copyright covers much more than just literal, verbatim copying, including the making of **DERIVATIVE WORKS**.
- **WHY DO YOU CARE?** Professing that one changed another's work may well be an admission of copyright infringement.

COPYRIGHTS

- **MYTH:** If you pay for a copyrighted article, you own it, especially if you paid to have it made (anything you pay for is a “work for hire”).
- **REALITY:** Ownership of a copyrightable work *usually* arises **ONLY** from...
 - creating the work yourself;
 - having your **EMPLOYEE** create a work as part of his/her job;
 - a **WRITTEN** assignment.

COPYRIGHTS

- **WHY DO YOU CARE?** Companies often pay independent contractors for the creation of copyrightable works, only to find out that they do not own the end product.
 - **EXAMPLE:** Custom software
 - **EXAMPLE:** Ad agency work

TRADEMARKS

- **DANGER!!!! (Rule 1.01 +...)**
- **Trademark Rights:** Protect first-adopted words and/or symbols that can and do **DISTINGUISH** the associated goods or services of one vendor or sponsor from those of all others.



TRADEMARKS

- **MYTH:** Trademark protection exists just to protect businesses, or create valuable property.
- **REALITY:** Trademark law is for protecting YOU AND ME from confusion, and to make commerce work.
- **WHY DO YOU CARE?** *Valid* trademark protection helps EVERYONE buy and sell more safely, and creates real value for clients (**Your clients must act and be counseled wisely (Rule 1.01)**).

IMAGINE....



CAN *THIS* BE A TRADEMARK?

- "LIGHT BULB" (for light bulbs) – NO!
- "ROUGH STUFF" (sand paper) – MAYBE LATER
- "DRIFT AWAY" – YES
- "EXXON" – YES!!



"SO, I GET IT - EVERYDAY WORDS, LIKE
"LIGHTBULB" CAN'T BE A TRADEMARK, RIGHT?"

- APPLE for apples?
- APPLE for computers?



TRADEMARKS

- **MYTH:** Forming a business entity (or filing a "DBA") in the U.S. means that the name can be used as a BRAND for products or services (FREQUENT ADVICE FROM SOME LAWYERS).
- **REALITY:** If someone owns the name as a trademark, the new company name CANNOT be used as a brand. Incorporation or filing "DBAs" do **NOTHING** for you in permitting public use of a name.

TRADEMARKS

BUSINESS ORGANIZATIONS CODE TITLE 1. GENERAL PROVISIONS CHAPTER 5.... Sec. 5.001. EFFECT ON RIGHTS UNDER OTHER LAW.

(a) The filing of a certificate of formation by a filing entity under this code...or registration of [an assumed] name...does not authorize the use of a name in this state in violation of a right of another... (emphasis added).

TRADEMARKS

BUSINESS & COMMERCE CODE TITLE 5. GENERAL PROVISIONS CHAPTER 71.... Sec. 71.157 EFFECT OF FILING.

(a) This chapter does not give a registrant a right to use the assumed name in violation of the common or statutory law of unfair competition or unfair trade practices, common law copyright, or similar law (emphasis added).

TRADEMARKS

• **WHY DO YOU CARE?** Your client's business can be destroyed if they attach their reputation to someone else's brand (mistakenly believing that it is theirs):

- Change all of their signs;
- Change product packaging, labels, or even molds;
- Wasted Internet Expense;
- Wasted Advertising;
- Start Anew Building Reputation (explain to customers)
- Trademark Infringement Litigation
- Malpractice + Rule 1.01....

TRADEMARKS

- **MYTH:** Trademark infringement is easy to understand and to avoid - just differentiate spellings a little, change capitalization, add a word, etc.
- **REALITY:** Trademark infringement exists upon the use of **ANY** trademark (even completely different words) which, in view of an earlier used mark of a third party, creates **merely the LIKELIHOOD** of confusion as to source, sponsorship, approval or affiliation.

TRADEMARKS

- **REALITY** (cont.)
 - **ECKSAHN** would infringe **EXXON** for automobile related goods or services (or just about anything else).
 - **RED DELICIOUS** (for computers) would very possibly infringe **APPLE** (for computers).
 - **HOWEVER** even "**APPLE**" (for automobile parts) does NOT infringe **APPLE** (for computers)



TRADEMARKS

- **WHY DO YOU CARE?** Trademark infringement is a complicated and (very) costly trap waiting for those who do not have good knowledge and advice – **your client's wellbeing + Rule 1.01**



TRADEMARKS

- **MYTH:** No U.S. trademark registration = no trademark rights.
- **REALITY:** U.S. Trademark Rights may come from:
 - Federal Trademark Registrations
 - State Trademark Registration
 - Common Law Rights (perhaps not registered anywhere!).
- **WHY DO YOU CARE?** Trademark infringement is a complicated and costly trap waiting for those who choose unwisely, poorly counseled or from ignorance of superior, existing rights.

TRADE SECRETS

- **Trade Secret Rights Protect:** Secret business or technology information that gives a competitive benefit, so long as it is secret.



TRADE SECRETS

- **MYTH:** Trade secret is always better, because competitors cannot use your information.
- **REALITY:** Patent may be better *IF* secrets cannot be kept secret, are likely to be reverse-engineered, etc.
- **WHY DO YOU CARE?** Others may discover, or develop same information and patent it – you have **NOTHING!**

TRADE SECRETS

- **MYTH:** Patent is always better because secrets cannot always be kept secret, and others may develop the same information
- **REALITY:** Trade secret may be better, *IF* secrets not likely reverse-engineered, or if information has short time of value,
- **WHY DO YOU CARE?** Patents expire, and, if you have a “Coca Cola® Formula”, patent is the wrong choice.

PATENTS

- Patents protect machines, chemical compositions, manufacturing processes, and even new business methods.
- Legal monopolies that allows the owner(s) to **prevent others** from making, selling, using, importing....that which is patented.

PATENTS

BASIC REQUIREMENTS:

1. **Patentable** by Law;
2. **Utility** (solves a problem/meets a need);
3. **New** (“novel”) – not before known in the invented form;
4. **Not Obvious** – cannot be something that merely no one has bothered to do.

PATENTS

- **MYTH:** Patent protection just helps some businesses and hurts everyone else.
- **REALITY:** Patent protection makes it “safer” to invest in making new products.
- **WHY DO YOU CARE?** Patent protection gives us all good things for life (even saves lives).

PATENTS

- **MYTH:** I can protect my invention by mailing myself a letter.
- **REALITY:** The “poor person’s patent”(recommended by some lawyers) does nothing to protect your invention.
- **WHY DO YOU CARE?** Relying on this mythical “protection” can lull one into waiving rights by waiting too long to file a real patent application.

PATENTS

- **MYTH:** You cannot patent something that is just a new combination of old parts (more bad advice from some lawyers).
- **REALITY:** Most inventions are merely new combinations of old parts.
- **WHY DO YOU CARE?** Assuming that patent protection is impossible may lead to wasting millions of dollars in value. Advising such = Client harm + Rule 1.01 violation + malpractice....

PATENTS

- **MYTH:** If my client gets a patent on their invention, that means that they can make it.
- **REALITY:** An invention may be patented that, if made, would infringe an earlier patent.
- **WHY DO YOU CARE?** FREEDOM TO OPERATE investigation may prevent investing (more) money and work in a project that a client might never be able to commercialize – a TOTAL WASTE!

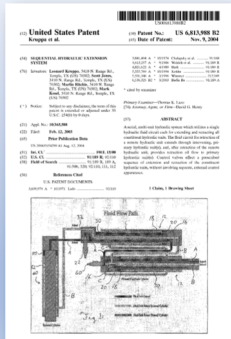
PATENTS

- **MYTH:** It is easy to get around a patent - you just change a few things about the item shown in the patent.
- **REALITY:** Patents, can be very difficult to interpret, but if properly crafted, usually cover MUCH more than just the item shown or described in a patent.
- **WHY DO YOU CARE?** Patent infringement liability (or even the litigation itself) can financially destroy a person or business.

PATENTS

- **MORE OF WHY YOU CARE:** If a client believes that patents are easily circumvented, and not worth the time and expense, the client may lose out on a very valuable opportunity.

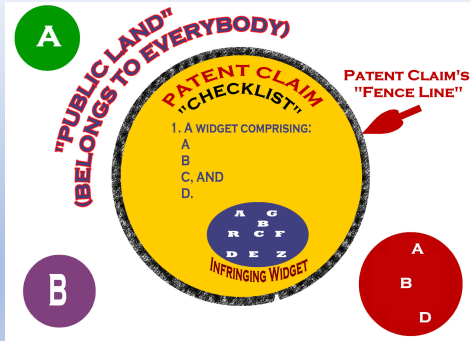
PATENTS (How They Work)



PATENTS (How They Work)

- Patent CLAIMS (not details and pictures) define patent protection - "checklists for infringement and validity".
- A widget comprising:
 - A
 - B
 - C and
 - D

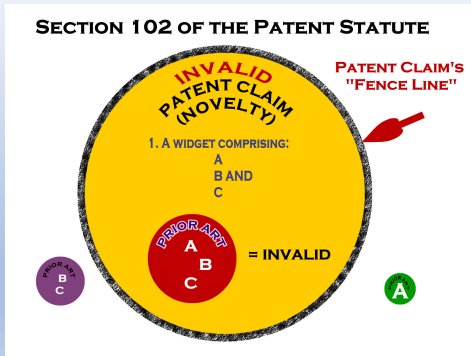
PATENTS (How They Work)



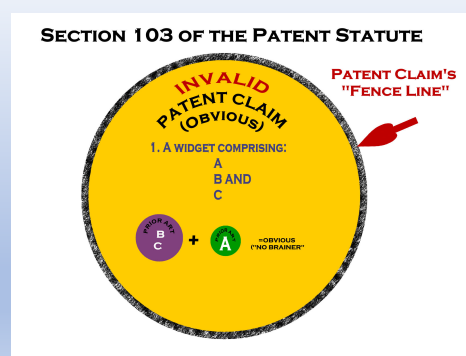
PATENTS (How They Work)

- Patent claims with FEWEST elements cover the most things.
- So, why not have a claim like:
 A widget comprising:
 A,
 B, and
 C (fewer elements)?
 If you can, YES!! But....

PATENTS (How They Work)



PATENTS (How They Work)



Export Controls
(Not really IP, but often comes with it.)



IP “GOLD MINE” vs “LAND MINE” REALITIES

- Intellectual property is often a company's most valuable asset (the “gold mine”).
- Intellectual property is easily **overlooked**, often **mishandled**, easily **lost** or **destroyed**, and often easily **infringed** (the “land mine”).
- Have regular check-ups.
- Don't do your own surgery.



David G. Henry, Sr.

dhenry@munckwilson.com
David@davidghenry.com