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This outline is prepared for use
in the presentation entitled

**IDEAS TO ASSETS: A Practical Guide to Patents,
Trademarks and Copyrights**

PATENTING PRIMER

This outline is only intended as a general guide to the presentation given by Joe Calhoun, a registered patent attorney with Calhoun Law Firm; neither the outline nor the presentation constitutes the rendering of legal advice or counseling concerning any particular matter.

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UTILITY PATENTS IN THE UNITED STATES

I. OVERVIEW OF TYPES OF PROTECTION OF INTELLECTUAL PROPERTY; DIFFERENT STROKES FOR DIFFERENT FOLKS.

A. Patentable “invention” (35 U. S. C. §101).

1. **Utility Patent** for an invention...that is novel, non-obvious and useful:
 - (a) article of manufacture;
 - (b) machine or apparatus;
 - (c) composition of matter, including living organisms;
 - (d) manufacturing process or method of doing business; or
 - (e) improvement of any of the above.
2. **Plant patent** for distinct and new asexually reproduced plant variety.
3. **Design patent** for new, original and ornamental design for a manufactured article.
4. Right to prevent others from making (or importing), using or offering patented invention for sale in the United States.
 - (a) Exclusionary right; not an affirmative right to commercialize own patented invention unless unrestricted by rights (such as a patent) held by another.

B. **Trade Secret** protection for information that derives independent economic value from not being generally known to other persons who can obtain economic value from its use.

1. An alternative to patenting, protecting information only until secrecy lost.
2. Some inventions are patentable without disclosing trade secret information.

C. **Copyright** for an “original work of authorship”...fixed in any tangible medium of expression that can be perceived or reproduced.

1. Exclusive right to:
 - (a) reproduce and distribute copies in public;
 - (b) prepare derivative works based on the original copyrighted work; and
 - (c) publicly perform and display the original copyrighted work.

D. **Trademark/Service Mark** protection for indicator of origin, such as one or more letters, words, numbers, symbols, designs, colors, smells, sounds and combinations thereof.

1. Right to prevent another from adopting or using a similar mark likely to cause consumer confusion.

II. UTILITY PATENTS

A. Laws and Procedures

1. Federal law only (U. S. Constitution, Article I., §8, clause 8 and 35 U.S.C. §§101 *et seq.*; all patent citations are to 35 U.S.C., unless specified otherwise).

2. Possible avenues for patent protection:

- (a) United States Patent & Trademark Office, Department of Commerce

- (b) Foreign: direct filing in the patent office of a foreign country.

- (c) International:

- (1) Patent Cooperation Treaty: file a single international application, obtain an international preliminary search report, then request the patent offices of previously designated PCT member countries to examine the application and grant a patent under the applicable foreign law.

- (2) European Patent Convention: file a single international application, which is examined in accordance with common European standards en route to the granting of a separate patent in each European country that is a member of the European Patent Convention.

B. Invention

1. Define the invention:

- (a) Determine precisely how the discovered product or technology differs from what already existed at the time of conception or invention.

2. Possible stages of “invention”:

- (a) Conception: formation of a definite idea.

- (b) Research and development: diligence may be important if you are first to conceive of an invention, but not first to reduce the idea to practice. (§102(g)(1).)

- (c) Reduction to practice: actual embodiment or practicing of the invention.

- (1) the **filing of a patent application** may also qualify if the application

sufficiently describes a discovery that works, and if the discovery is described in sufficient detail to enable someone else to repeat it.

C. Inventorship and Co-inventors:

1. An inventor includes any natural person who conceives an operative invention; not mere implementation of another's ideas or directions.
2. Co-inventor status achieved via communication (collaboration) leading to contribution ultimately embodied in the invention claimed in a patent application.
 - (a) Patent applications must identify all inventors of a claimed invention, and be supported by an oath signed by all inventors. (§116)
 - (b) Each co-inventor generally has equal rights to practice the patented invention, absent agreement to the contrary, without depriving other co-inventors of same.

D. Patentability Requirements in the United States:

1. **Novelty:** the claimed discovery is not anticipated by any single prior art reference which discloses every element of the discovery.
2. **Non-obviousness:** comparing the prior art to the claimed discovery, the discovery would not have been obvious to someone of ordinary skill in the field. (§103)
3. **Enabled best mode:** the patent application must specifically disclose how to make and use an operable version of the claimed invention, including the best mode then known to the inventor. (§112)
4. **Claims:** statement of precisely what the inventor regards as the invention. (§102)
 - (a) **Independent claim:** expressly states all elements of the invention, and all limitations.
 - (1) "open" claim language: a claim using the term "comprising" means that the claimed invention includes at least the stated elements and limitations, and perhaps more.
 - (2) "closed" claim language: a claim using the phrase "consisting of" means that the claimed invention includes only the stated elements and limitations.
 - (3) "partially closed" claim language: a claim using the phrase "consisting essentially of" means that the claimed invention may include un-recited elements and limitations, if they do not materially affect the basic and novel characteristics of the claimed combination.
 - (b) **Dependent claim:** incorporates all limitations of other claims(s) by reference, then includes further elements and limitations.

(1) Example: “The apparatus described in claim 1, further comprising....”

5. Patent applications are maintained in secrecy at the USPTO until published 18 months after filing date, unless non-publication request filed with application. (§122)

E. Time Bars Preventing U. S. Patenting of Otherwise Patentable Inventions:

1. Critical dates:

- (a) date of invention;
- (b) filing date of U. S. application; and
- (c) first public knowledge, use, offer for sale in the U. S., or publication or patenting of the claimed discovery anywhere.

2. **Pre-Invention Conduct**...before the applicant’s invention, another (§102):

- (a) has public use or knowledge of the claimed discovery in the U. S.;
- (b) obtains a patent on, or publishes a paper disclosing, the claimed discovery anywhere in the world;
- (c) files a U. S. patent application disclosing the claimed discovery, which is later granted a patent; or
- (d) makes the claimed invention in the U. S.

3. **Pre-Application Conduct**...*more than 1 year before the filing date* of the U. S. application, *anyone (including the applicant)* (§102):

- (a) publicly uses or offers the claimed discovery for sale in the U. S.;
- (b) obtains a patent on, or publishes a paper disclosing, the claimed discovery anywhere in the world; or
- (c) files a foreign patent application claiming the discovery, which is granted before the filing of the application in the U. S.

F. **Duration:** the term of a patent expires 20 years after the filing date of the application; possible extension of patent term for regulatory delay (§154); for design patent, 14 years from the date of grant (§173).

G. **Fees** for filing an application by a small entity, obtaining a utility patent and maintaining your patent rights (37 CFR 1.16, effective 1 February 2007):

1. \$425 basic electronic filing fees required by the Patent Office at filing, for application

having a maximum of 20 claims, no more than 3 of which may be independent claims; additional claims acceptable upon the payment of an additional fee.

2. \$700 issuance fee for utility patent, due at the Patent Office within 3 months from the date of the Notice of Allowance; this deadline is non-extendable.
3. Maintenance fees due for utility patents:
 - (a) \$450 due 3 years and 6 months after the original issuance date;
 - (b) \$1,150 due 7 years and 6 months after the original issuance date; and
 - (c) \$1,900 due 11 years and 6 months after the original issuance date.
 - (d) Each of these 3 deadlines may be extended by 6 months, but only with the payment of a \$65 surcharge.
4. \$100 **provisional application** filing fee.
 - (a) Provisional application is only required to contain the name of each inventor and a detailed description of the invention (including any drawing necessary to an understanding of the invention); no claims are required, but no patent rights will be obtained merely from a provisional application.

(*) Allows “patent pending”, and avoids imminent 1-year time bar to patenting.
 - (b) To avoid abandonment of an invention disclosed in a provisional application, a regular patent application claiming the invention must be filed *before* the first anniversary of the provisional application filing date, and that regular application must be based upon at least the same detailed description of the invention disclosed in the provisional application.
5. Most of the above **fees** are essentially **doubled** for applications **not qualifying** for the **small entity status** discount given to an independent inventor (or to a business employing less than 500 persons) having no obligation to transfer the invention to anyone disqualified from claiming small entity status.

H. **Optional notices:**

1. **“Patent Pending”** is appropriate after a provisional or regular patent application has received a serial number and a filing date from the Patent Office; although such marking is intended to notify third parties of imminent patent rights, hopefully to dissuade them from copying, any third party may still engage in business with the patent-pending product or technology until a patent is actually issued.
2. Mark the product with the patent number once obtained; failure to mark does not invalidate the patent, but no damages are recoverable from an infringer until after infringement with notice of patenting. (§287)

I. **Transfer of Patent Rights:**

1. **Patent rights:** patents have the attributes of personal property, and patent applications are assignable (transferable) by an instrument in writing. (§261)

(a) A patent essentially evidences the creation of “property” and the boundaries of the corresponding legal rights; like other property owners, patent owners may use, sell (assign), lease (license) or encumber the patent rights.

(b) Transferable interests in patents:

(1) exclusive or non-exclusive rights to

(2) make, use and sell invention protected by patent claim(s) in one or more

(3) geographical territory using one or more

(4) channel of trade

2. **Ownership** of patent rights:

(a) **General rules:** each **individual** is presumed to own the patent rights in an invention of which he or she is an inventor or joint inventor, even though that invention was conceived and/or reduced to practice during the course of employment; the **employer** will own the rights to a patentable invention of an employee if the employee was initially hired or later directed to exercise inventive faculties or to solve a specific problem in an area.

(1) Absent an express contract concerning ownership of an invention, the employee will own rights if the employee is only generally hired or directed to make improvements in an area of the employer’s business.

(2) However, the employer owns such an invention if the employee is bound by an enforceable written or verbal contract to that affect.

(3) Ownership conveys standing to transfer patent rights, or to sue or be sued.

(4) In the absence of an agreement, each joint owner of a patent may exercise non-exclusive ownership rights, without the consent of (and without accounting to) the other owners. (§262)

3. **Use Rights**

(a) Even though an employer has no ownership interest in an employee’s invention conceived or reduced to practice during the course of employment, under certain circumstances the employer may have a license to use the employee’s patented invention in the employer’s business.

(1) "Shop Rights" give employers a non-exclusive, royalty-free, non-transferable license to use the patented invention in the employer's business.

a. Despite an employer's lack of ownership of patent rights, the employer may have a right to use an invention where the employee used work time, personnel, equipment, materials and/or other assets of the employer to conceive or reduce to practice an invention for which a patent is obtained.

b. The employer has a non-exclusive right to use the invention, but may not transfer that right to another company.

(2) "March In" rights of the federal government, for inventions resulting from research sponsored with federal funds. (§203)

4. **Sale by Assignment**

(a) Assignment: transfer of all right, title and interest in all inventions protected by the patent claim(s).

(1) Includes all corresponding rights such as power to re-assign, license, encumber, or sue for infringement.

(b) Grant: transfer of all right, title and interest in all inventions protected by patent claim(s), but only in a particular geographic territory in the United States.

5. **Lease by license:** transfer of less than all rights in invention(s) protected by patent claim(s).

6. **Security Interest** in patents:

(a) A loan or other obligation may be secured by a security interest in a patent.

7. **Perfection** of title transfer or partial transfer of rights: an assignment "shall be void as against any subsequent purchaser or mortgagee for a valuable consideration without notice, unless it is **recorded** in the Patent & Trademark Office within **3 months** from its date **or prior to** the date of such subsequent purchase or **mortgage.**" (§261)

J. **Infringement**

1. Unauthorized person makes (or imports), uses, offers for sale or sells the patented product or technology, or induces or contributes to somebody else's doing so. (§271)

2. Lawsuit in federal court for infringement, and seeking remedies such as:

(a) Injunction against further infringement; (§283)

(b) Damages (§284) for continued misconduct after notice of patenting and claimed infringement, measured by:

- (1) the amount of an established royalty for a license of the patent rights;
- (2) the amount of a reasonable royalty, if no actual license has taken place;
- (3) the patent owner's lost profits caused by the infringer's misconduct;
- (4) treble damages if infringement is willful or in bad faith; and
- (5) interest.

3. 6-year statute of limitations. (§286)

4. Attorney's fees in exceptional cases such as willful infringement. (§285)

III. TRADE SECRET PROTECTION.

A. Sources of protection:

1. State law:

(a) Arkansas Trade Secrets Act (Ark. Code Annotated 4-75-601 et seq.) was enacted in 1981 to combat "uncertainty with regard to a substantial number of patents and because of the commercial importance of trade secrets law to industry in the State of Arkansas."

(b) The Arkansas Rules of Civil Procedure also provide for protective orders prohibiting the disclosure of trade secrets or other confidential commercial information during litigation. (Ark. R. Civ. P. 26(c)(7).)

2. Federal law:

(a) Economic Espionage Act of 1996 provides both civil and criminal remedies for intentional misappropriation of trade secrets.

(b) The Federal Rules of Civil Procedure also provide for protective orders prohibiting the disclosure of trade secrets or other confidential commercial information during litigation. (Fed. R. Civ. P. 26(c)(7).)

(c) The Court of International Trade has similar powers. (28 U. S. C. §2641 (b).)

3. Common law: the Arkansas Trade Secrets Act displaces all conflicting tort, restitutionary, and other law of this state pertaining to civil liability for misappropriation of trade secrets. But the Act does not supersede the contractual or other civil liability for relief that is not based upon misappropriation of a trade secret, nor does it displace criminal liability for misappropriation of a trade secret.

B. Statutory definition of “trade secret” under the Arkansas Trade Secrets Act:

1. Information that derives independent economic value from not being generally known to other persons who can obtain economic value from its use. (Ark. Code Ann. §4-75-601(4).)
2. “Trade secret” also includes information that has only potential economic value and that is not readily ascertainable by proper means by someone who can obtain economic value from its disclosure. (*Id.*)

C. Reasonable efforts to maintain secrecy include:

1. Confidentiality agreements with employees.
2. Confidential disclosure agreements with outsiders.
3. Restricted access to information, documentation, facilities, products or prototypes; appropriate policies, implementation, and monitoring.
4. Filing suit; protect the privilege or lose it.

D. Potentially infinite duration of protection, so long as secrecy is maintained.

E. Law violated by acquisition of trade secret by:

1. improper means; or
2. unauthorized disclosure or use of such information by someone having reason to know of improper acquisition.

F. Statutory authority for injunction preventing disclosure of secret information.

About the Author: Joe D. Calhoun, Registered Patent Attorney

The principal in Calhoun Law Firm, Joe Calhoun is experienced in a wide array of business law matters. Since graduating from the University of San Francisco School of Law, Mr. Calhoun has acquired abundant experience in assisting clients in obtaining patents for inventions, and registration protection for trademarks and copyrighted materials. His experience also includes assisting clients in acquiring ownership rights or use rights from others for trademarks, and for valuable technology in a variety of technological fields. Besides obtaining patents for mechanical and computer-governed inventions, Mr. Calhoun has been involved in the area of biological discoveries. With an undergraduate degree in Biology and Psychology from Tulane University, Mr. Calhoun has assisted clients seeking protection for innovations in environmental remediation technology, nutrition, disease prevention, and wound care for humans and animals.

Mr. Calhoun has also been intimately involved in business start-up, assisting several early-stage companies license patents, obtain financing, commence operations, and enter into alliances and other arrangements for the distribution of products. While on the board of the Arkansas Venture Forum, Mr. Calhoun was involved in the planning and production of the Arkansas Venture Capital Conference, endeavoring to match investors with early-stage companies; he has also assisted companies in preparing their presentations for the conference. Mr. Calhoun has drafted economic development legislation, most notably the Arkansas Biotechnology Training & Incentive Act of 1997; he has also testified before subcommittees of the Arkansas Legislature, and provided assistance in the deliberative process and in the promulgation of regulations.

Actively engaged in business litigation for over twenty years, Mr. Calhoun has successfully represented clients in lawsuits primarily involving allegations of infringement and related federal and state causes of action for unfair competition, false advertising, deceptive trade practices, tortious interference with business relations, trade secret misappropriation and breach of non-competition covenants. Examples of other non-litigation engagements include the following:

- ** Legal representation of a veterinary health research company in licensing technology patented by the United States Department of Agriculture, pursuing foreign patenting of related research, and structuring sublicenses with companies within and outside the United States.
- ** Legal representation of an animal feed manufacturing company in structuring domestic and foreign distribution agreements.
- ** Legal representation of an inventor of wound treatment biotechnology (and his succeeding start-up company) in pursuing patenting of technology and registration of trademarks within the United States and in foreign countries; subsequent representation of inventor in sub-licensing of the technology.
- ** Legal representation of a start-up veterinary products company in licensing negotiations with companies within and outside the United States.
- ** Legal representation of a start-up agri-biotechnology company in licensing technology patented by the United States Department of Agriculture, and negotiating sublicensing with companies within the United States and in foreign countries.