

4 Trade Secrets and Patents

Objectives

After completing this chapter, the student should be able to:

- Define what type of business information can receive trade secret protection;
- Describe the main elements of the Uniform Trade Secrets Act;
- Understand the measures a business should take to protect a trade secret;
- Define what type of intellectual property can be patented;
- Describe some elements of the America Invents Act;
- Explain the four categories of patentable subject matter; and
- Describe the U.S. patenting process.

4.1 What is a Trade Secret?

A **trade secret** is commercial information that gives a business a competitive advantage over other companies. Trade secrets can include inventions, ideas, or compilations of data used by a business. As long as the information has economic value to the company, it can be a trade secret.

Trade secrets can include any useful formula, plan, pattern, process, program, tool, technique, mechanism, compound, or device that is not generally known or readily ascertainable by the public.

Figure 4-1

The whole idea behind a trade secret is that the trade secret be kept internal and private, so there is no public registration requirement. If the information is shared with a third party, secrecy protection is lost. Therefore, it is critical that the owner of the information take reasonable steps to maintain the confidentiality of the information. Because there is no government regulation or filing requirement, there is no public disclosure and the trade secret can remain private for unlimited time.

4.2 Protecting the Trade Secret

When protecting trade secrets, a common problem involves theft and misappropriation by employees. For example, a disgruntled employee will often intentionally disclose a secret. On the other hand, well-meaning employees routinely divulge trade secrets to trade show attendees, job candidates, the press, and other third parties. The key to protection is the education of employees to avoid their unintentional release of confidential information.

To acknowledge the importance of confidential information, any organization with a trade secret should have a comprehensive written policy emphasizing the importance of secrecy. This policy should identify what type of information is a trade secret, indicate that the information cannot be shared (internally or externally), and require employees to acknowledge in writing their understanding of this information.

It does not make sense for a company to say everything is secret, because both employees and courts will not take the policy seriously if everything is suddenly important. It is critical that a company share the trade secret only with those employees who need that information to perform their jobs.

Last, a company should have a formal process of periodic review called a trade secret audit. This type of review should determine what information should be kept secret, and who should have access to the material. Those individuals performing the audit would normally be trusted personnel who can identify the trade secrets and act appropriately to secure them.

Besides a written policy, other common education and protection measures include:

1. restricting physical access to the information (such as placing the information in a bank vault);
2. limiting the number of people with knowledge of the trade secret;
3. requiring those having knowledge of the trade secret to agree in writing not to disclose the information (called a confidentiality or non-disclosure agreement²⁰⁴); and
4. requiring employees who encounters the trade secret, directly or indirectly, to a sign non-disclosure agreement.

Whenever any information is represented as a trade secret, again a business must use its best efforts to safeguard it from disclosure.

4.3 Length of Protection

Trade secrets can potentially last forever. This is in contrast to other intellectual property, such as a copyright or patent, which have expiration dates.

Did You Know?

One of the most well-known and oldest trade secrets is the Coca-Cola® soft drink formula. Reportedly, pharmacist John Pemberton developed the “secret recipe” in 1886, but it was not until 1919 that the formula was documented in writing.²¹⁵ It was rumored for many years only a few executives knew the formula, and that a copy of the recipe was placed in a safe deposit vault with an Atlanta, Georgia bank. However, in 2011 the Company announced that it moved the secret formula to the World of Coca-Cola Exhibit in downtown Atlanta,²¹⁶ where it now resides.

Figure 4-2

4.4 Legal History

The unlawful sharing of trade secrets is a tort based on English **common law**. As discussed in Chapter Two, common law is a legal system that originated in England in the Middle Ages when medieval kings handled disputes following a process of “fairness, custom, and common sense.”²¹⁷

Common law describes the unlawful taking or use of a trade secret as the **intentional tort of misappropriation**.²¹⁸

4.5 Uniform Trade Secrets Act

In 1939, a professional group of attorneys known as the American Law Institute²¹⁹ summarized the common law doctrines that dealt with trade secrets. Their efforts were compiled in a book called the *Restatement of Torts*. The *Restatement of Torts* (1939) has no binding legal effect on the courts, but influences and brings about uniformity in judicial decision-making. In 1979, the National Conference of Commissioners on Uniform State Laws,²²⁰ a non-profit organization with representatives from all fifty states and territories, took the language in the *Restatement*, and drafted language for proposed **model (uniform) law** called the **Uniform Trade Secrets Act (USTA)**. The purpose of a model law is to encourage uniformity of language throughout the U.S. to simplify business operations in multiple states. Having identical or similar language across state jurisdictions makes compliance and enforcement of trade secrets a more efficient process.

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The USTA (amended in 1985) incorporated the elements of the common law tort of misappropriation as defined in the 1939 version of the *Restatement of Torts*. The language in the model law was shared with the legislatures in all 50 states and U.S. territories. As of 2014, only a few states such as New York and North Carolina have not adopted the USTA.²¹¹

The National Conference of Commissioners on Uniform State Laws language in the USTA includes common definitions for terms such as *misappropriation*, *trade secret*, *person*, and *improper means*.²²² Violation of the law is a civil dispute. Remedies under this law include an injunction, monetary damages, and attorney fees.²²³ In addition, many states have laws specifically criminalizing the theft of trade secrets. Often this violation falls under larceny, theft, or computer crime laws.

Figure 4-3 includes sample language from Michigan’s Uniform Trade Secrets Act. This language is representative of wording in the model law.

Michigan Compiled Laws 445.1902
As used in this act:
(a) “Improper means” includes theft, bribery, misrepresentation, breach, or inducement of a breach of a duty to maintain secrecy or espionage through electronic or any other means.
(b) “Misappropriation” means either of the following:
(i) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means.
(ii) Disclosure or use of a trade secret of another without express or implied consent by a person who did 1 or more of the following:
(A) Used improper means to acquire knowledge of the trade secret.
(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was derived from or through a person who had utilized improper means to acquire it, acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use, or derived from or through a person who owed a duty to the person to maintain its secrecy or limit its use.
(C) Before a material change of his or her position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.
(c) “Person” means an individual, corporation, partnership, association, governmental entity, or any other legal entity.
(d) “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that is both of the following:
(i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
(ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Figure 4-3

4.6 Disputes

In a trade secret dispute, disagreements can be handled informally or through the courts. If a person or organization has had a trade secret misappropriated and litigation is necessary, the trade secret holder has the option to sue on the state or federal level. Where the litigation is filed depends on the type of breach. For example, a theft based on the UTSA would be a violation of a state law and filed in a state court.

To prevail in a USTA trade secret case, two elements must be proved. The plaintiff will need to demonstrate that a trade secret existed, and that the secret was misappropriated. The misappropriation can be substantiated by establishing the information had financial value, and based on that value plaintiff took certain actions to secure the information (such as it spent large sums of money or expended considerable time developing the secret information). The plaintiff will have to also demonstrate that the defendant had access to the information, and that the information was used in a competitive disadvantage to the plaintiff.

How Can a Defendant Respond to a Trade Secret Lawsuit?
In defense and in response to a trade secret breach, a defendant could argue the following: <ol style="list-style-type: none">1. The information does not meet the requirements for a trade secret, and even if it did,2. I/we did not have access to the information, and even if I/we did have access,3. I/we did not know that the information was a trade secret, and even if I/we did know that,4. I/we did not use information anyway, and even if we did use it,5. Plaintiff was not damaged.

Figure 4-4

If an unsuspecting **third party** receives a trade secret and uses the trade secret, but does not know the information is secret, then a plaintiff’s case for damages is weakened.

4.7 Remedies

Anyone found liable for misappropriating a trade secret can be ordered to pay the owner actual damages for economic losses, unjust enrichment,²²⁴ or for even a royalty fee. A judge may award an injunction (court order) to stop the unlawful dissemination of the information. If the misappropriation is willful or malicious, the court may award attorney fees and double damages.²²⁵

4.8 Additional Federal Laws

In addition to the Uniform Trade Secrets Act, two other key laws concern trade secrets. These include the **Economic Espionage Act (EEA)**²²⁶ and the **National Stolen Property Act**,²²⁷ both of which are federally based.

The Economic Espionage Act of 1996 prohibits any attempt to steal trade secrets for the benefit of someone other than the owner, including for the benefit of any foreign government. The EEA was enacted in response to the fear that the United States could not maintain its industrial and economic edge or safeguard national security. The National Stolen Property Act criminalizes the transportation of stolen goods valued in excess of \$5000.00.

4.9 What is a Patent?

A patent is a **property right** (*emphasized*) granted by the U.S. government. A patent is a different type of intellectual property, as it is an **exclusion right**. This means a patent grants the holder the right to exclude others from “making, using, offering for sale, or selling the (their) invention in the United States.”²¹⁸ The boundaries of the invention are governed by the claims of a patent.

The federal government grants patents.²²⁹ Article I, Section 8, Clause 8 of the U.S. Constitution authorizes the federal government to issue patents. This section reads in part, “Congress shall have the power...to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

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Sources: Keuzegids Master ranking 2013; Elsevier 'Beste Studies' ranking 2012; Financial Times Global Masters in Management ranking 2012

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4.10 America Invents Act²³⁰

In 2013,²³¹ U.S. patent law underwent major changes to be more consistent with the patent statutes of other countries. The Leahy-Smith **America Invents Act** (AIA) took the United States from a **first to invent** country to a **first inventor to file (FITF)** system. In other words, patents are awarded to the inventor who first files their application with the U.S. Patent and Trademark Office.



Figure 4-5²³²

Prior to the America Invents Act, it was presumed that the inventor who first **reduced the invention to practice**²³³ was entitled to the patent. This differed greatly from the rest of the world that used a first to file priority system. The old law placed the U.S. in a different posture from other countries, which often caused legal complications for individuals and companies who wanted to secure international patent protection for their product.

Why File a Patent?
The main goal of patent law is to increase the pool of technical knowledge in the United States by encouraging inventors to disclose to the country (and effectively to the world) the details of their inventions. In return, the federal government grants the inventor a limited monopoly to exclude others from using the patent. The government is also interested in having inventors disclose their inventions as early as possible. It has rewards for early disclosure of inventions and penalties for waiting too long.

Figure 4-6

4.11 Patent Rights

A patent is a legal grant awarded to the inventor (**patentee**). A patent does not confer ownership, but a legal right. The U.S Patent and Trademark Office issues a patent for a limited time in exchange for a full disclosure of the invention.²³⁴

An inventor does not need a patent to make, use, or sell the invention claimed in a patent. However, the owner of the patent may not use, make, or sell an invention if doing so would violate the law. For example, assume an inventor creates a road rage button that blinks bright red lights in his rear car window. If a driver aggravates him, he can flash the lights to get the attention of that driver. Because those lights would interfere with traffic safety, the creator of the patent would not be entitled to use the road rage button on the highway, but he could still be awarded the patent.

4.12 Categories of Patentable Subject Matter

Patent laws specify the subject matter that is appropriate for a patent and the conditions for patentability.²³⁵

Four key areas can be patented. They include **process**, **machine**, **manufacture**, and **composition of matter**.²³⁶ A patent claim must fit the criteria for one of these categories to be eligible for grant as a patent.

A process is an act or method; these are primarily industrial or technical processes.²³⁷ A machine is “a concrete thing, consisting of parts, or of certain devices and combination of devices.”²³⁸ Manufacture includes “an article produced from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by handlabor (sic) or by machinery.”²³⁹ Composition of matter involves chemical compositions that may include mixtures of ingredients as well as new chemical compounds.²³⁰

In the area of Internet law, business methods patents are a growing field, though their patentability has been cast into doubt by recent court decisions, including *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014). These patents involve a new process or method of data processing. For example, Amazon’s 1-Click Shopping is a business method patent. This process allows customers to purchase an item with “one click,” and without having to enter payment or delivery information.²⁴¹ (See Figure 4-7)

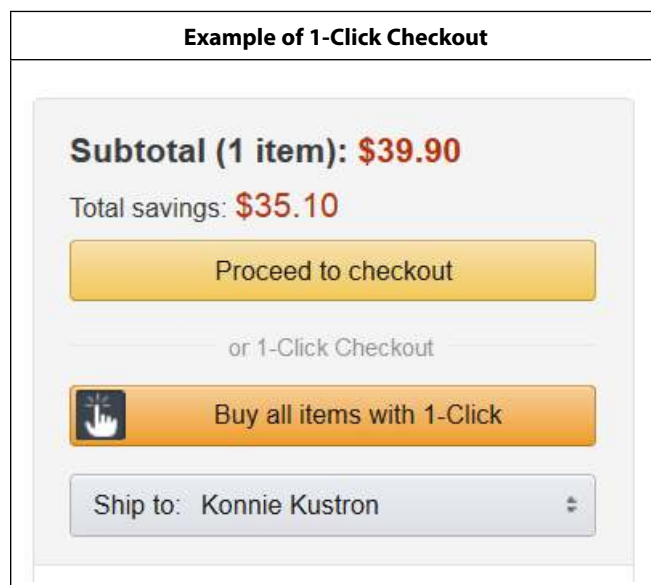


Figure 4-7 Used with permission

Not everything is patentable.

1. An inventor cannot obtain a patent for any law of nature, physical phenomena, or abstract idea. Laws of nature or specific methods or devices employing a law of nature are patentable, though.
2. An abstract idea must be **reduced to practice**²⁴² as an invention and satisfy the other requirements for patentability before a patent can be obtained.
3. Although literary, dramatic, musical, and artistic works cannot be patented, they may be copyrighted.
4. An invention can also be denied a patent for being offensive to the public morality.

Additionally, the **Atomic Energy Act of 1954**²⁴³ prohibits the patenting of any invention used solely for special nuclear material or atomic energy for atomic weapons.

4.13 USPTO

Federal statutes have established the U.S. Patent and Trademark Office (PTO) as the federal agency to administer the law relating to the granting of patents.²⁴⁴ The United States Patent and Trademark Office is an agency of the U.S. Department of Commerce.



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The USPTO is responsible for examining patent applications and determining whether the applicants are entitled to a patent. The USPTO maintains records of all patents and supports a search room accessible to the public, which contains all documentation for issued patents. Patents can also be searched electronically through the USPTO database.²⁴⁵

The USPTO also advises agencies of the government in matters involving intellectual property.

Because the idea of a monopoly is contrary to the free market system, the government makes it easy for an inventor to lose his or her right to a patent if certain rugged criteria are not met. This is to prevent an inventor from effectively extending the period of his or her patent.

How Long Does a Patent Last? ²⁴⁶
<p>"For applications filed on or after June 8, 1995, utility and plant patents are granted for a term which begins with the date of the grant and usually ends 20 years from the date you first applied for the patent subject to the payment of appropriate maintenance fees for a utility patent. There are no maintenance fees for plant patents. Design patents last 14 years from the date you are granted the patent. No maintenance fees are required for design patents.</p> <p>Note: "Patents in force on June 8, 1995 and patents issued thereafter on applications filed prior to June 8, 1995 automatically have a term that is the greater of the twenty year term discussed above or seventeen years from the patent grant."²⁴⁷</p>

Figure 4-8

4.14 Patentability

Four main sections of Title 35 of the U.S. Code govern patentability. These include Title 35 U.S.C. § 101, § 102, § 103, and § 112.²⁴⁸ Section 101 addresses **usefulness**, 102 reviews **novelty**, 103 discusses **nonobviousness**, and 112 governs the disclosure requirements for patentability. We will look at each one of these individually, but first you should understand the legal concept called **prior art**. Patentability requires that any invention-to-be-patented be "new." Under the American Invents Act, if an invention was in the public use, for sale, or otherwise available to the U.S. public or in a foreign country, it is classified as prior art and not patentable by the person claiming the invention. This does not include disclosures by the inventor within one year of filing.²⁴⁹

4.14.1. Usefulness

According to 35 U.S.C. § 101, an invention must be useful. This means the patent must have utility, be useful, and actually work. The inventor may also have a working prototype (reducing the invention to practice) to support application for a patent.²⁵⁰

If a machine or other invention does not perform its intended function, then it is not considered useful and cannot be patented.

4.14.2 Novelty

Section 102 states that a patent claim must be new or novel.

An invention, as recited by the patent claim, is not new or novel if the claimed invention was known or used by others in the US or abroad, or patented or described in a printed publication in the U.S. or abroad prior to filing the patent application.²⁵¹ So, if the claimed invention has been in public use by another or on sale in the U.S. or in another country, or if the claimed invention was described in a printed publication anywhere in the world prior to the date of filing, then the patent claim cannot be obtained.

4.14.3 Obviousness

Section 103 deals with obviousness.²⁵² This means that the invention must not be obvious to a person with ordinary skill in the invention's field at the time of filing. Accordingly, even if a patent claim is novel under section 102, the patent claim might still be obvious under section 103, and therefore unpatentable.

This criterion is subjective and is generally the most troublesome for an inventor to overcome. For example, a change in size or material may not make an invention patentable. The general standard is to ask whether the new invention would have been obvious to a person having ordinary skill in the art in view of the previously known subject matter.²⁴³ Rationales supporting a finding of obviousness may include:

- (A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way;
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results;
- (E) "Obvious to try" – choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- (F) Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art;
- (G) Some teaching, suggestion, or motivation in the prior art that would have led one of ordinary skill to modify the prior art reference or to combine prior art reference teachings to arrive at the claimed invention.²⁵⁴

A common example used to explain obviousness is the creation of a three-legged stool. Assume Company XYZ designs a four-legged stool and receives a patent. In their patent, they claim a stool made of wood having at least four legs underneath a wooden base with equal sides used for the seat. Company ABC invents a three-legged stool with a similar wooden base. Is ABC's three-legged obvious in view of Company XYZ's patent that claims *at least* four legs? The answer is yes, if the artisan having ordinary skill in the art of stool making would find that omission of a leg from the four-legged stool would have been an obvious modification.

What if ABC changes the seat design to a triangle? Alternatively, what about adding a brace to connect the three legs? Alternatively, what if it changes the stool and uses metal instead of wood? Are these obvious changes?



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4.14.4 Other Requirements

Various additional formalities must be satisfied in order for a patent claim to be eligible for grant.²⁵⁵ These include the written description requirement, the enablement requirement, and the best mode requirement.²⁵⁶ The written description requirement ensures that the specification supporting a patent claim would inform the artisan of ordinary skill that the inventor was in possession of the claimed invention; the enablement requirement ensures that the specification supporting a patent claim would enable the artisan of ordinary skill to make or use the claimed invention; and the best mode requirement ensures that the specification discloses to the artisan of ordinary skill the preferred mode for practicing the claimed invention.

Additional requirements, such as the form of language used in a patent claim, must also be satisfied.²⁴⁷

4.15 Types of Patents

In addition to the three conditions of patentability, there are three types of patents an inventor can receive from the USPTO. These type categories include **utility**, **plant**, and **design** patents.²⁵⁸

Utility patents are granted to inventions that represent a new and useful process, machine, article of manufacture, or composition of matter, as discussed above. Utility patents may also be granted for *improvements* to a process, machine, article of manufacture, or composition of matter. For example, an inventor may be able to obtain a utility patent on a shoe based on a new and useful shoe structure that supports the arch of the foot correctly. Utility patents may also be obtained on man-made (genetically altered) animals and plants, such as genetically altered seeds.

Plant patents can be granted to any person who has invented or discovered and reproduced any asexually reproducing new variety of plant. Asexually reproducing plants are those that reproduce by means other than seeds such as by layering, budding, grafting, and rooting cuttings.

When a patent is granted for an ornamental design of an article of manufacture, the patent rights only extend to the design and appearance of the article. The patent rights do not extend to any structural or functional features. Referring to the shoe example, the inventor might also be able to obtain a design patent based on the appearance of the shoe. This might be desirable if the shoe has a unique and pleasing appearance or if the inventor anticipates commercial success. However, the protection of the design patent would only extend to the appearance of the shoe and it would not protect the functional structure that provides better support.

4.16 Application Process

Patents are awarded through a complex review process that begins with the filing of an application. Prior to filing an application, it is highly recommended that the inventor (or his attorney or agent) complete a full-text and image search of the invention, to verify that the invention has not already been patented. The applicant must also determine whether to file a design, plant, or utility patent application, as there are varying informational requirements depending on the type of patent application.

The application must be sufficiently detailed, as would be understood by the person of *ordinary skill in the art*. Ordinary skill in the art means experience in the area of the patent application being filed. Applications also include a **claims** section. A claim defines “the property rights provided by a patent.”²⁵⁹ If a utility patent application is being filed (which is the most common), the applicant must determine whether to file a provisional or non-provisional application. A provisional application allows an inventor to priority of filing, and is most often employed to delay the formal filing requirements for purposes of cost or to determine whether a patented invention would be commercially viable.²⁶⁰ However, to receive a full patent, the applicant must file a complete and detailed non-provisional patent application within 12 months from the date of the provisional application filing.²⁶¹

When a non-provisional application is filed, a patent examiner reviews the application. If the application is approved, the inventor will pay an issue fee. The patent will be issued, and published in the *Official Gazette*.

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If the examiner does not approve the application, the applicant is notified of the deficiencies. The applicant can then request additional review (reconsideration), or appeal as necessary. Once the examiner's objections are overcome, the USPTO will send the inventor a Notice of Allowance. At this point, the issue fees will become due, and once paid the patent will issue. Figure 4-9 from the USPTO provides a graphic detail of the application process.

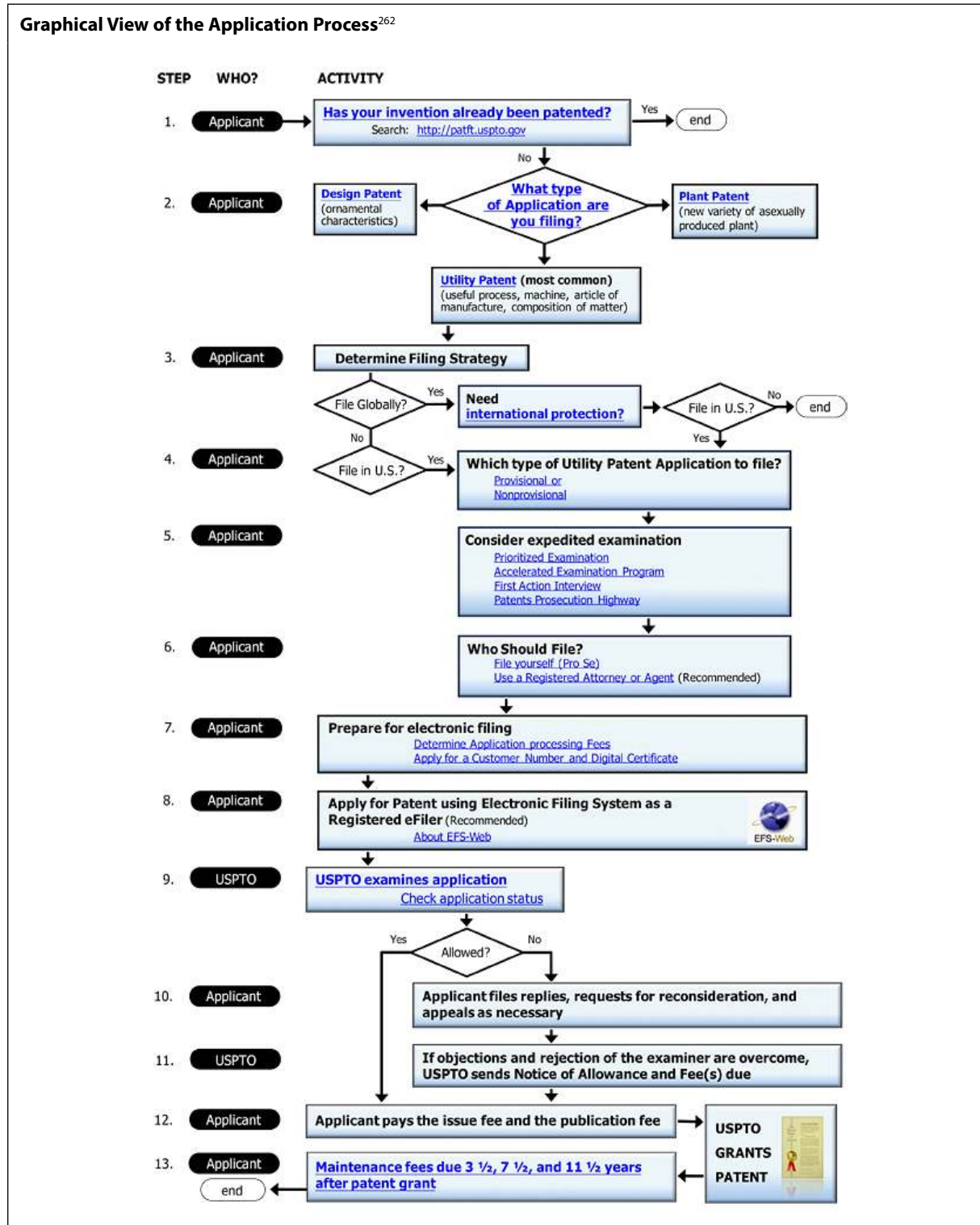


Figure 4-9
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4.17 Infringement

The notes below from the USPTO define patent infringement and the legal rules for infringement.

Overview of Patent Infringement²⁶³

About Patent Infringement?

What is patent infringement?

Patent infringement is the act of making, using, selling, or offering to sell a patented invention, or importing into the United States a product covered by a claim of a patent without the permission of the patent owner. Further, you may be considered to infringe a patent if you import items into the United States that are made by a patented method, unless the item is materially changed by subsequent processes or becomes a trivial and nonessential component of another product. A person "infringes" a patent by practicing each element of a patent claim with respect to one of these acts. Further, actively encouraging others to infringe patents, or supplying or importing components of a patented invention, and related acts can also give rise to liability in certain cases.

What will happen if someone sues me for patent infringement?

A patent owner can sue you in federal court for patent infringement. If the patent owner is able to prove infringement, the court may order you to pay monetary damages and/or stop infringing one or more patent claims. A court can also find that (1) you do not need a license to the patent because you don't practice the invention, (2) one or more of the patent claims are not valid, or (3) there are other reasons why the patent owner is not entitled to prevail against you.

The court may conclude that the patent claim is not valid if it is shown that the claimed invention was disclosed in a prior patent or patents, a book, a magazine, a newspaper, a television show or movie, a webpage or other published work before the date of the claimed invention. Also the court may conclude that the patent claim is not valid if it is shown that the claimed invention was offered for sale in this country or was disclosed to the public more than one year before the application for the patent was filed. In addition, the court could find the patent invalid because it does not meet other statutory requirements, such as a sufficient written description of the invention, or because it does not describe subject matter that is patent eligible.

Further, in "exceptional" cases, the costs of your attorney's fees may be awarded to you if you win the patent case. But if you lose the patent case, you may be held responsible for the attorney's fees of the patent owner. A court may take all of the facts and circumstances of the case into consideration in deciding whether it will find that one party must pay the attorney's fees of the other party. The courts may only award attorney's fees in cases that are out of the ordinary, for example, where the positions of the patent owner are unusually unreasonable.




Figure 4-10

4.18 International Considerations

As mentioned, a patent granted by the U.S. government only protects the invention within the United States and its territories and possessions. For many inventions, it may be financially beneficial to obtain patents in other countries to protect the invention.

To receive protection from other countries, the applicant must file for a patent in **each** country where protections are desired, which may be expensive. However, various international groups facilitate filing around the world. For example, there is a conglomerate in Russia, another in Africa, and one in Asia that assists inventors patent with member countries of their group. There is also a unified office in Europe called the **European Patent Office (EPO)**.²⁶⁴ When an applicant files a patent application with the EPO, the EPO can grant a patent in several European countries. However, the inventor must go through a "validation" process in each of those countries and pay a separate fee to each. The European Patent Office makes it easier, but not necessarily cheaper, to obtain a patent in the countries contracting with the EPO.

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In an effort to integrate the patent systems of various countries, the **Patent Cooperation Treaty (PCT)**²⁶⁵ was formed. The PCT process provides more time for applicants to file in foreign countries. The process involves an International Patent Application, filed with the USPTO, the European Patent Office, or another receiving office. With the application, the applicant states the countries for which protection is being sought, and requests that the receiving office perform a patent search. The applicant then has a certain time in which to file patent applications in the respective countries by entering into the national stage. The World Intellectual Property Organization (WIPO) manages the PCT process.²⁶⁶

4.19 Summary

This unit reviewed two types of intellectual property: trade secrets and patents. Trade secrets consist of confidential information that has value to a business. To be classified as a trade secret, the information must truly be secret and have financial value to the company. An organization must use its best efforts to keep the information confidential. To promote the ease of interstate commerce, the Uniform Trade Secrets Act has been adopted by most states.



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Patents give the owner the right to exclude others from making, selling, or using the claimed invention. Four types of inventions can be patented: process, machine, manufacture, and composition of matter. Laws of nature, abstract ideas, or physical phenomena cannot be patented. Inventions must be useful, novel, and nonobvious. Three types of patents are awarded by the USPTO: design, plant, and utility.

As of enactment of the AIA, the U.S. is a first inventor to file country.

4.20 Key Terms

America Invents Act	Machine	Prior art search
Atomic Energy Act of 1954	Manufacture	Process
Common law	Model law	Property right
Composition of matter	National Stolen Property Act	Reduced to practice
Design patent	Non-obviousness	Restatement of Torts
Economic Espionage Act of 1966	Novelty	Third party
European Patent Office	Patent	Trade secret
First to file	Patent Cooperation Treaty	Uniform Trade Secrets Act
First to invent	Patentee	Usefulness
Intentional tort of misappropriation	Plant patent	Utility patent

4.21 Chapter Discussion Questions

1. What is a trade secret? How is it different from a copyright, trademark, and a patent?
2. How long does a trade secret last?
3. What is the USTA? What is the purpose of the law?
4. What efforts must a company take to keep their trade secret confidential?
5. What is misappropriation?
6. What is the difference between a first to invent country and a first inventor to file country?
7. Describe the patent application process.
8. What is the difference between a utility, design, and a plant patent? Please provide an example for each.
9. What items cannot be patented?
10. What is the value of securing a patent in countries besides the U.S.?

4.22 Additional Learning Opportunities

Instructional videos on the America Invents Act are available at the USPTO at http://www.uspto.gov/aia_implementation/informational_videos.jsp.

A glossary of terms relating to patents and trademarks is available at the USPTO at <http://www.uspto.gov/main/glossary/index.html>.

In addition to searching for patents at the USPTO, Google Patents <https://www.google.com/?tbs=pts> has a search feature for patents and applications that allows searching by country, type of patent, timeframe, *etc.*

Visit <http://www.uspto.gov/inventors/index.jsp> at the USPTO for inventor resources including a Q & A section.

4.23 Test Your Learning

1. The most common type of patent filed in the U.S. is a(n) _____ patent.
 - A. design
 - B. foreign
 - C. plant
 - D. process
 - E. utility
2. Under patent law, an inventor with a patent can stop another from _____ a claimed invention.
 - A. making
 - B. using
 - C. making or using
 - D. using or selling
 - E. making, using or selling
3. James wants to place a clock/timer/alarm on the top of an athletic shoe. This would be an example of what type of patent?
 - A. design
 - B. foreign
 - C. plant
 - D. process
 - E. utility
4. The right to a patent comes from the
 - A. Agreement on Trade Related Aspects of Intellectual Property
 - B. American Inventor's Protection Act of 1999
 - C. U.S. Constitution
 - D. U.S. Patent and Trademark Act

- E. Patent Cooperation Treaty
5. Tomas invented a television and received a patent for it two years ago. Tina has now reduced the size of the screen by 1/8 inch. Is this new invention patentable?
- A. Yes, because it is a change to an existing patent.
 - B. Yes, because the change is novel.
 - C. No, because the change would have been obvious to the artisan of ordinary skill at the time of Tina's reduction.
 - D. No, because too much time has passed from the filing of the original application.
6. A trade secret is created by filing
- A. an application with the U.S. Copyright Office.
 - B. an application with the U.S. Patent and Trademark Office.
 - C. an application with your state's secretary of state office.
 - D. an application with your state's corporation office.



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- E. none of the above.
7. What is the most important element to prove information is a trade secret?
- A. Evidence of the steps taken to keep the information secret.
 - B. The number of people who have access to the information.
 - C. That the information has value to the owner.
 - D. How long the information has been considered a trade secret.
 - E. A and B
 - F. A, B, and C
 - G. All of the above
8. Misappropriation of a trade secret is defined as
- A. Acquisition of a secret of another.
 - B. Acquisition of a secret of another by someone who knows it was acquired by improper means.
 - C. Disclosure of the trade secret without the express consent of the owner.
 - D. Disclosure of the trade secret without the express or implied consent of the owner.
 - E. A or C
 - F. B or D
 - G. A or D
 - H. B or C
9. Information that is properly protected as a trade secret
- A. may maintain that status forever
 - B. must have a definite duration
 - C. must be protected through a trade secret agreement
 - D. must be complex
 - E. must be recorded with the corporations bureau of your state
10. Einok Inc. invented a software function where text in a document can be highlighted, copied, and pasted into another document. Is this a trade secret?
- A. Yes, since it is a process that is not public.
 - B. Yes, because the process can be “undone” by reverse engineering.
 - C. No, because the process is already public.
 - D. No, because the process can be discovered by reverse engineering.

Test Your Learning answers are located in the Appendix.