

Who owns it?



Creating intellectual property
complicated, counter-intuitive



By Robert K. Fergan, Esq.

In the world of intellectual property, the question of who owns the rights to newly developed technology or ideas is complicated and often counter-intuitive. Consider the following scenario.

Day 1: You are going to start a chain of coffee shops which you decide to call The Big Bean. While you are driving home, you notice a new coffee shop opened and is using your new name. You quickly file an application to register the trademark for The Big Bean with the U.S. Patent and Trademark Office. Fortunately, no other registrations have been filed for that mark. Whew, that was close.

Day 2: Having filed the trademark registration, you go to your local graphic designer to have a cool logo made for your store sign. You pay the designer to incorporate the words "The Big Bean" into a coffee bean graphic. Later, you decide you would like to use the logo for your cups and other packaging, too.

Day 3: You have an idea that you would like to be able to quickly make cups of coffee by simply having your employees pour hot water into a cup. You talk with your cup supplier and they suggest putting grounds and filter material in the lid of the cup. You pay your supplier to develop, test, and manufacture the new lid. Wanting to protect your investment, you file a patent application on the new lid.

Day 4: You are so excited about the new lid that you talk to convenience store chains about selling the product. You give them a proposal that is clearly marked "confidential." You are concerned that your competition may steal your idea.

Well, four days into this venture and you have four problems with four different areas of intellectual property.

Most intellectual property problems fall into four general categories of the law: trademarks, copyrights, patents, and trade secrets.

HOW TO TELL THE DIFFERENCE

	PATENTS	TRADEMARKS	COPYRIGHTS	TRADE SECRETS
What does it protect?	Inventions	Brand names or identifications of products or services	Creative expression	Business or technical information
How are rights obtained?	Inventor or assignee must file application and have patent issued	Geographic common law rights build up with use over time. National rights can be obtained by registration and continued with use.	Rights are created at the time of authorship. Additional advantages can be obtained by registration.	Rights are created based on an obligation of an individual or entity with the owner and the manner in which the owner protects the information

At least you were the first to file for registration on the trademark. You must own that, right? Well, if the registration is approved you will have some rights in the mark. However, rights in trademarks are also obtained based on use.

Trademarks are to protect the public from confusion about who is supplying the goods or services. While your trademark registration may prevent new coffee shops from entering the market as The Big Bean, the existing shop that used the name first can likely continue to use the name and may be able to prevent you from using the name within a certain geographic area.

In addition, continued and proper use of a trademark enhances the rights that one has in the mark. You can approach the earlier coffee shop to negotiate that they discontinue use of the mark or agree with them to co-exist based on certain criteria, for example, geographic restrictions.

Although the logo for your cups contains your trademark, it also contains artistic elements created by the graphic designer. Copyrights protect creative elements of expression in various works including art work, literary works, and computer software.

Copyrights vest in the author at the time the work is created, unless the author is acting as your employee or there is a written agreement in advance specifying that the work is “made for hire” or otherwise provides a transfer of copyright ownership.

In this instance, copyrights for the artwork of the logo will vest in the graphic artist, who is not your employee. Regardless of whether you paid the author to develop the artwork, he could ask for royalties for each copy that is placed on a cup.

If the work is already made and it was not specified as a “work for hire,” copy-

rights can be assigned by the author after creation. If the author is your employee, the work may be considered a “work for hire” by virtue of their employment.

Patents can be filed for by the person that conceives of the invention. Even though the problem and the general con-

Be aware that who owns rights in the IP may not be as straightforward as one might think. Where possible, agree in writing before creation how the IP will be owned.

cept of pouring water in the cup to make coffee was provided to the supplier by you, it was the supplier that suggested the concept of putting the grounds and filter material in the lid.

Regardless of whether you paid for the development, testing and manufacturing, you have no rights in a patent claiming putting grounds and filter material in a lid unless you obtain an assignment of rights from the inventors (or supplier if they are assigned rights from the inventors).

(As a side note, it is important to have an assignment agreement with your own employees and/or have clear policies regarding the assignment of inventions conceived by employees.)

Further if a patent is issued on the new lid, the supplier could prevent you from making, using or selling the lid, even though you were responsible for initiating their inventive process and paid for the development of the lid.

Finally, stamping documents “confidential” may denote that you do not want the document shared. However, it does not necessarily create an obligation by the other party to keep the document secret.

Trade secret law does govern the sharing of certain sensitive information between parties. Yet, typically there must be an obligation created between the parties for trade secret law to apply.

The obligation can be created by contract, for example in a confidentiality agreement, or the obligation may be the result of a fiduciary duty or other duty, for example the duty of an employee arising out of an employment relationship. However, absent some other duty, simply marking a proposal confidential may not be sufficient to create a right to stop the potential customer from sharing a proposal.

In summary, where potentially valuable content or inventions are created, be aware that who owns rights in the IP may not be as straightforward as one might think. Where possible, agree in writing before creation how the IP will be owned.

Get your intellectual property attorney involved early in the process. A quick question early can eliminate expensive problems down the road.



Robert Fergan is an intellectual property attorney with the Ann Arbor office of Brinks Hofer Gilson & Lione. He specializes in client counseling, licensing, and patent prosecution in the U.S. and other countries under the rules of the Patent Cooperation Treaty. Contact him at (734) 302-6036 or rfergan@usebrinks.com.