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Protecting Trade Secrets, Patents, Copyrights And Trademarks

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BOOK REVIEW

PROTECTING TRADE SECRETS, PATENTS, COPYRIGHTS AND TRADEMARKS

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The preface of the well-produced book *Protecting Trade Secrets, Patents, Copyrights, and Trademarks* (*Protecting Trade Secrets*)[1] states:

> This book not only explains the basic principles of intellectual property, but it also (1) provides valuable business tips to minimize future legal liabilities while maximizing their intellectual property interests, (2) provides access to resources including leading references, books, articles, databases, and associations . . ., and (3) provides legal checklists, legal forms, and case examples.[2]

In the first five chapters, Dorr and Munch cover the following topics: Protecting Trade Secrets, Protecting Patents, Unfair Competition, Protecting Trademarks, and Copyrights. A book of this scope is particularly useful for attorneys serving small businesses, most of whom are ignorant about basic information concerning intellectual property. For many such attorneys, the trademark chapter may be the most important part of the book. Although trade secrets, copyrights or patents may be of little immediate concern to most businesses, every business has trademarks or service marks that deserve adequate protection.[3]

Dorr and Munch do not stint in pointing out the importance of trademark and related rights. They not only explain how to protect and preserve such rights,[4] but also how to avoid infringing the rights of others.[5] Moreover, the authors note that trademark rights arise automatically under common law when a mark leads consumers to recognize it as a source indicator, but only in the geographic market served.[6] Dorr

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1. ROBERT C. DORR & CHRISTOPHER H. MUNCH, PROTECTING TRADE SECRETS, PATENTS, COPYRIGHTS, AND TRADEMARKS (1990 & Supp. 1991) [hereinafter DORR & MUNCH]. Robert C. Dorr is a partner in the law firm of Dorr, Carson, Sloan & Peterson, Denver, Colorado. Christopher H. Munch is Professor of Law, Emeritus, University of Denver College of Law.

2. *Id.* at v.

3. Technically, the term "trademark" should be used only for source indicators of goods; the term "service mark" should be used only for source indicators of services. *Id.* at 129; *see also* 15 U.S.C. § 1127 (1988).

4. Trademark and related rights can be preserved, for example, through proper grammatical use of marks. DORR & MUNCH, *supra* note 1, at 151-54.

5. *Id.* at 137-41.

6. *Id.* at 130.

and Munch infer that state registration of marks will provide protection in addition to the protection provided by common law.[7] Specifically, Dorr and Munch suggest all businesses should file for state or federal protection.[8] Unfortunately, Dorr and Munch fail to address the value of state registration when faced with the fact that most states register marks without searching beyond the local register; if a prior federal registration exists, a state registrant is apt to get no protection for the effort and expense of state filing.[9]

Historically, the question of whether to file on the state or federal level has put many small businesses in a bind. On the one hand, they were unable to register federally because the United States Patent and Trademark Office (PTO) usually required a registrant to be involved in interstate commerce. On the other hand, unless their market was national, owners of common law marks or state registrations faced a constant risk that later users in other markets would register federally and foreclose the earlier user's ability to expand. After a recent court decision, however, single location businesses that simply affect interstate commerce should now be permitted to register federally.[10] The value of *Protecting Trade Secrets* would increase if the book addressed such matters and, also, if it mentioned that while federal registration may cost $1000.00 or more,[11] the benefits often vastly outweigh the expense.

Such oversights are mostly a product of the scope of *Protecting Trade Secrets*. Coverage is comprehensive, indeed considerably broader than the title suggests. For example, the chapters entitled "Officer and Director Personal Liability"[12] and "Advertising"[13] go beyond protecting intellectual property and offer important advice for avoiding both firm and personal liability. *Protecting Trade Secrets* covers a remarkable amount of territory[14] by extensively citing treatises and other works that deal

7. *Id.* ("Most businesses are involved in the interstate sales of goods and services; therefore they are principally concerned with obtaining federal trademark rights. Some businesses, however, are solely located within the confines of a particular state and may prefer to seek only state trademark protection.")

8. *Id.*

9. *See* Burger King of Fla., Inc. v. Hoots, 403 F.2d 904 (7th Cir. 1968).

10. Larry Harmon Pictures v. Williams Restaurant Corp., 929 F.2d 662 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 85 (1991). The jurisdiction of the Federal Circuit in such cases is set forth in 15 U.S.C. § 1071(a)(1)(1988). *See also*, Peter C. Christensen & Teresa C. Tucker, *The "Use in Commerce" Requirement for Trademark Registration after Larry Harmon Pictures*, *in* 32 IDEA J.L. & TECH 327.

11. AMERICAN INTELLECTUAL PROPERTY LAW ASSN., REPORT OF ECON. SURV. 1991, at 24 (1991)(costs for trademark search and opinion, federal application, and federal prosecution are indicated by quartile for selected cities).

12. DORR & MUNCH, *supra* note 1, at 249-59.

13. *Id.* at 261-73.

14. *Compare* DORR & MUNCH (342 pages and Annual Supplement) *with* Donald S. Chisum & Michael A. Jacobs, *Understanding Intellectual Property Law* (MB)(1992)(similar in scope to DORR & MUNCH, but contains over 1000 pages); J. THOMAS MCCARTHY, DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY (1991)(contains 385 pages and offers little more than detailed definitions of intellectual property terms of art). However, depending on the purpose of the discussion and the intended audience, basic intellectual property concepts can be covered in far fewer pages. *See, e.g.*, Thomas G. Field, Jr., *Brief Survey of Intellectual Property*, 31 IDEA J.L. & TECH. 85 (1990)(45 pages).

specifically with subsets of intellectual property law. The result is a comparatively slim volume which cites specialized literature. Thus, general attorneys who serve businesses and intellectual property specialists working in an unfamiliar area will find valuable forms, check lists and guidelines, not only for protecting intellectual property but also for avoiding infringing the rights of others.[15]

For a work of this scope and size, substantial editorial decisions were undoubtedly difficult. Unfortunately, citations are sparse in some areas,[16] while in others, primary sources are reprinted unnecessarily. For example, it is unclear why eight pages are devoted to the text of the Berne Convention Implementation Act,[17] or why several pages reproduce free and easily obtainable copyright forms.[18] Finally, the patent discussion may provide too many details, and thus may be unhelpful to general business attorneys.

The PTO is the sole federal agency that requires otherwise licensed attorneys to pass a bar examination[19] before permitting them to apply for patents or prosecute applications. Non-specialists are ill advised to seek ad hoc admission to appear before the PTO.[20] Thus, it is unclear why Dorr and Munch include detailed discussions about, for example, continuation, continuation-in-part applications and secrecy orders.[21] These are topics general business attorneys probably have no need to know. Even if a business attorney needs detailed patent information, Dorr and Munch do not mention crucial tools such as divisional applications.[22] The space given to details likely to concern only patent specialists probably would be better devoted to more forcefully pointing out

15. However, intellectual property law specialists are more likely to consult one of the more focused and comprehensive works. *See, e.g.*, JAMES E. HAWES, COPYRIGHT REGISTRATION PRACTICE (1990), JAMES E. HAWES, TRADEMARK REGISTRATION PRACTICE (1987).

16. *See, e.g.*, DORR & MUNCH, *supra* note 1, at 91 ("Please keep in mind that being too successful in the aggressive use of patents can lead to antitrust problems." The caution is not specifically documented, nor, as is often the case, is a comprehensive work cited at the beginning of the section).

17. *Id.* at 240-48 & 1991 Supplement at 58-59.

18. *Id.* at 193-99. It is also unclear why several pages reproduce or excerpt selected patents. DORR & MUNCH, *supra* note 1, at 56-63, 288-96.

19. *See* 5 U.S.C. § 500(e)(1988).

20. Ad hoc admission to appear before the PTO is permitted under 37 C.F.R. § 10.9 (1991) & 57 Fed. Reg. 29248 (to be codified at 37 C.F.R. Parts 1 & 10)(proposed July 1, 1992). *See generally* 35 U.S.C. §§ 31-33 (1988)("Practice Before Patent and Trademark Office"); 37 C.F.R. §§ 10.5-10.7 (1991)("Individuals Entitled to Practice Before the Patent and Trademark Office") & 57 Fed. Reg. 29248 (to be codified at 37 C.F.R. Parts 1 & 10)(proposed July 1, 1992). The PTO requires that any attorney wishing to sit for the patent exam have one of several specified degrees or otherwise satisfy guidelines designed to demonstrate an adequate technical background. *See* U.S. DEPARTMENT OF COMMERCE, PATENT AND TRADEMARK OFFICE, GENERAL REQUIREMENTS FOR ADMISSION TO THE EXAMINATION FOR REGISTRATION TO PRACTICE IN PATENT CASES (1992). These booklets are updated and published several months in advance of examinations, which generally are given in April and October. The PTO guidelines are difficult to understand. For example, computer engineering is an acceptable degree, whereas computer science is not. *Id.* at 2. For those without a specified degree, twenty-four hours of physics or biology is adequate, whereas in chemistry thirty hours are required and in other subjects, forty hours. *Id.*

21. DORR & MUNCH, *supra* note 1, at 81-82.

22. *See, e.g.*, 37 C.F.R. § 1.60 (1991).

that certain acts may forfeit all potential patent protection, immediately in most foreign countries and after one year in the United States. Once the right to a patent is forfeited by offering a product for sale prior to filing a patent application, for example, there is little that even a patent specialist can do to secure the patent. The United States situation is discussed at some length in *Protecting Trade Secrets*.[23] However, the foreign discussion, only a part of one short paragraph, easily could be missed.[24]

Because generalists need to keep in mind overall corporate strategy for protecting intellectual property, a very useful part of *Protecting Trade Secrets* discusses the value of patents in securing risk capital and in forestalling competition.[25] Scientists, inventors, businessmen, and general business attorneys often forget that patents are no more fungible than the proverbial Blackacre. A building lot in Manhattan warrants far more expense to assure title than does a square inch of Arctic tundra. The situation with inventions and patents is identical. In some cases, given the market value of the invention, it would be foolish not to spend any amount necessary to secure the broadest possible protection for an invention.[26] In other cases, it would be foolish, at least from a competitive standpoint,[27] to invest any money in prosecuting a patent application. Worse, such problems can fall between the cracks. Patent attorneys may fail to possess, much less be able to evaluate, necessary business information, and, conversely, general attorneys possessing business information may be unable to evaluate sophisticated and highly interrelated legal options. Such considerations become more compelling as PTO costs increase.[28] For that reason, *Protecting Trade Secrets* would be even more valuable if it provided additional information on how to choose and work with patent or other specialized counsel, when and why it is unwise to cut corners,[29] and how to save money without running the risk of compromising important rights.[30]

The final chapter, "Protecting Software,"[31] contains some informa-

23. DORR & MUNCH, *supra* note 1, at 71-73.

24. *Id.* at 75.

25. *Id.* at 91-92.

26. Patent prosecution is essentially negotiation between patent examiners and patent attorneys. If an attorney will settle for a patent of little scope, prosecution can be quick and inexpensive. Often, however, to secure protection commensurate to the market value of the invention, costly and time-consuming intramural and judicial review are needed. *See generally* 35 U.S.C. §§ 134, 141-145 (1988)(appeal and review provisions).

27. *See supra* text accompanying note 24. From the standpoint of attracting risk capital, patents may encourage unsophisticated lenders. One has to wonder, however, about the ethics and legality of attracting risk capital with a patent portfolio that confers little or no competitive advantage.

28. *Compare* DORR & MUNCH, *supra* note 1, Table 2-1, at 55 *with* DORR & MUNCH, *supra* note 1, Table 2-1, 1991 Supplement, at 10 (within a year, the filing, issue and maintenance fees for small and large entities rose, respectively, from $1,975 to $2,340 and from $3,950 to $6,680). A host of other fees such as fees for extensions of time also should be noted, as many can be avoided by careful planning.

29. *See supra* note 25 and accompanying text.

30. Inventors can forgo employing specialists to undertake some tasks which they can accomplish themselves, such as conducting a preliminary patent search.

31. DORR & MUNCH, *supra* note 1, at 275-303. For additional information on protect-

tion tending to serve the ends of how to work with specialized counsel, when to cut corners, and how to safely save money. Unfortunately, the discussion is limited and comes too late in the book.[32] As discussed in the chapter, both copyrights and patents furnish very important protection for software.[33] Yet, the authors should have pointed out that copyrights alone may be adequate to recover development costs even if patents are available. Evaluating the tradeoffs between patents and copyrights is compelling when one considers that copyright registration is apt to be much quicker and less expensive.[34]

If intellectual property alternatives covering a broader spectrum of subject matter were compared more frequently and more directly, the value of *Protecting Trade Secrets* would be considerably enhanced. For example, the cost of precautions necessary to preserve trade secrets is apt to be substantial,[35] but, in some circumstances, a trade secret may be preferred even though patent costs could be lower.[36]

Given the importance and pervasiveness of intellectual property, general attorneys need to understand fundamental patent, trademark and copyright law. Dorr and Munch have come a long way toward meeting that need. Many readers will recover the cost of the book from information contained in the chapter on trademarks alone. In view of the pace with which intellectual property law changes, supplementation by pocket parts is also an important feature of *Protecting Trade Secrets*. If future supplements or editions focus attention on securing the most intellectual protection for the least money, particularly in difficult economic times, this book could easily become a "must have" for many general lawyers.

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ing software see OFFICE OF TECHNOLOGY ASSESSMENT, FINDING A BALANCE: COMPUTER SOFTWARE, INTELLECTUAL PROPERTY AND THE CHALLENGE OF TECHNOLOGICAL CHANGE (1992).

32. DORR & MUNCH, *supra* note 1, at 275-303.

33. *Id.*

34. Copyright registration is a one-time, single fee, generally only $20. *Contra* DORR & MUNCH, *supra* note 1, Table 2-1, 1991 Supplement, at 10 (describing different fees associated with utility patents); *see also* Policy Decision: Revised Special Handling Procedures, 56 Fed. Reg. 37,528 (1991)(copyright registration fee is $200 for special handling). Copyright registration is much simpler and quicker than patent prosection even with special handling. *See* 17 U.S.C. § 412 (1988 & Supp. II 1990)(addressing availability of extraordinary remedies as a function of the relative dates of infringement and registration).

35. Most of the first chapter of *Protecting Trade Secrets* is devoted to such precautions, but cost is not specifically addressed. DORR & MUNCH, *supra* note 1, at 1-41.

36. Perhaps the most important case addressing the interface between patents and trade secrets is Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974), wherein the court laid to rest any notion that federal patent law preempts state trade secret law. In doing so, the court stated that "[i]n the case of trade secret law no reasonable risk of deterrence from patent application by those who can reasonably expect to be granted a patent exists." *Id.* at 489. However, there are several circumstances where a trade secret might be preferable to a patent, such as where the invention consists of a process for making a product. If a patent is not secured, the process more than likely cannot be "reverse engineered" by competitors. More importantly, should the inventor possess a patent, he or she may have serious difficulty in determining whether others are infringing it.