

Protection of Trade Secrets and Intellectual Property

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The economic success of a business, large or small, often depends on the ability of a business to maintain exclusive control of its intellectual property and trade secrets. Loss of a company's intellectual property will most likely be more detrimental to the success of a business than the theft of the business's personal property, and a small business owner should be aware of the steps a business can take to protect trade secrets and intellectual property.

I. Trade Secrets

Virginia Code Section 59.1-336 defines a trade secret as "a formula, pattern, compilation, program, device, method, technique, or process that 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, and is the subject of efforts that are reasonable under the circumstances to maintain secrecy." A trade secret may be something as simple as a client list or as complex as a computer process relied on to run a business.

While Virginia law makes it illegal to acquire or disclose a trade secret, a business owner should take further steps to protect trade secrets, including requiring employees to sign non-compete agreements, non-solicitation agreements and confidentiality agreements. These documents can be used to help ensure that that businesses most important assets are protected.

II. Trademarks

A trademark is a word, name, symbol or device that indicates the source of goods. When a person sees the Nike swoosh, they know they are looking at a

product produced by Nike. The more creative the symbol or word associated with the product, the greater the trademark protection afforded to the mark.

A business owner should be concerned about both obtaining and protecting a trademark as well as avoiding trademark infringement. While a person or entity may have a trademark without registering a trademark, registering a trademark gives the owner of the mark several advantages, including prima facie evidence of the exclusive right to use the mark and the right to use the mark becomes incontestable if the owner has used the mark continuously for five years after registration. Registration of a trademark also grants the owner a nationwide right of priority to the mark, subject only to the rights of prior users to continue using the mark in the geographic area in which they had been using the mark. In addition to registering the mark with the United States Patent and Trademark Office, the mark may be registered in Virginia.

A new business should conduct a search to ensure that any name or symbol they use in association with their company will not infringe on the trademark rights of another person or entity.

A business should also be wary about purchasing a trademark from another person or entity. Since the purpose of a trademark is to indicate the source of goods, a trademark is only assignable if the assignee will use the mark on a substantially similar product.

III. Patent

A patent gives the holder of the patent the right to exclude others from making, using, selling, offering for sale or importing the patented invention. A patent cannot be obtained for every invention and a patent cannot be obtained for every part of a new invention. A patent is only available for new, not-obvious, useful inventions. If a person needs a patent he or she should first consult a patent attorney and obtain a "patentability opinion" to determine the likelihood that the United States Patent and Trademark Office will obtain a patent.

Since patent rights vest automatically in the inventor unless an agreement provides otherwise, it is essential for a business engaged in developing inventions to have an agreement with its employees whereby the employee transfers invention and patent rights to the employer. If no such agreement is in place, the employer risks losing the right to utilize the new inventions developed by its employees.

IV. Copyright

A copyright is an original expression affixed in a tangible medium which can be perceived, reproduced or communicated, either directly or with the aid of a machine or device. Thus, written words and musical recordings are examples of materials that may be copyrighted. The copyright exists from the moment it is fixed in a tangible medium. However, like a trademark, registration of a copyright provides many benefits. Registration is required to file an infringement action and obtain statutory damages and attorney's fees. Furthermore, registration of the copyright may be prima facie evidence of ownership and validity of copyright.

A copyright gives the copyright holder the exclusive right to reproduce the work, prepare derivative works, distribute the work, perform the work publicly and display the work publicly. The "fair use doctrine" permits others to use copyrighted material without a license in some instances.

Unlike a patent, an employer owns a copyright in a work made for hire. However, since there may be dispute as to whether a work is made for hire, an employer should have a written agreement making clear that the employer will own the copyright in the work made by the employee.

About the Author: **Eric D. Smith** received his B.S. from the College of William and Mary and his J.D. from the University of Virginia. He has been licensed to practice law in Virginia since 2007. Mr. Smith focuses his practice on the areas of estate planning and administration, guardian and conservatorship, contracts, and real estate.