

Good Business Means Protecting Your Intellectual Property



By **Charles Frost**,
Shareholder – Commercial and
Intellectual Property Litigation,
**Chamberlain, Hrdlicka, White,
Williams & Martin**, Houston, TX

John presents a problem to Ken and asks Ken to design and manufacture (invent) a solution. Ken spends over six months and three designs before he finds one he thinks will really work. Ken files a patent application for his invention. John keeps promising that his lawyer is drafting a contract for manufacture of the product, but in the meantime, insists that he needs all of Ken's detailed schematics and specifications.

Ken begins to provide some of that information and keeps good records of when and what information he provides to John. But Ken learns that no contract has been drafted by John's lawyer and becomes suspicious. Then Ken learns John is claiming he (John) is the inventor and has begun contacting Ken's suppliers. So what is Ken to do?

Fortunately, Ken had entered into a trade secret confidentiality agreement with John, protecting Ken's proprietary information and trade secrets. He therefore doesn't have to wait until a patent is issued in order to prevent John from using his design and supplier information. Ken sues and ultimately is awarded a permanent injunction and substantial attorneys' fees. Not surprisingly, Ken has not done any further business with John.

The foregoing true story (I am Ken's lawyer) illustrates a number of issues that frequently arise for participants in the pipeline, pipeline equipment, and pipeline service industries. This article will address some key issues relating to protecting intellectual property through trade secret agreements, patent applications, and copyrights.

Trade Secrets

A trade secret is any information that can be used in the operation of a business or other enterprise that is sufficiently valuable and secret that it affords an actual or potential advantage over others. A trade secret can consist of a:

- (a) formula;
- (b) pattern;
- (c) compilation of data;
- (d) computer program;
- (e) device or device design;
- (f) method, technique, or process; or
- (g) other forms or embodiments of economically valuable information.

Trade secrets can relate to technical matters, such as composition or design of a product, a method of manufacturing, or the know-

how necessary to perform a particular operation or service. They also can relate to pricing and marketing techniques, and the identity and special requirements of customers.

Often, trade secrets in the pipeline products business can relate to a new invention. Many inventions ultimately are protected by patents; however, during the period that the new invention or process is being developed, as well as during the period while the patent application is pending, protection of the developments and design as trade secret and proprietary information is extremely important (as the foregoing example illustrates).

Another important aspect of the pipeline equipment and pipeline service industries may be protection of proprietary customer lists and customer information.

Steps For Protection

Steps to protect your trade secrets include:

- Determine what really is a trade secret that needs protecting;
- Stamp or label confidential/trade secret material or data as confidential;
- Enter into a confidentiality/non-disclosure agreement;
- Use passwords for your computers;
- Keep valuable data locked up;
- Enforce a "need to know" system;
- Shred and securely dispose of hard copies of information;
- Conduct proper background checks on new employees;
- Require all new employees to sign non-competition, non-disclosure, and/or trade secret confidentiality agreements when they start work;
- Require employees to update/sign new trade secret confidentiality/ nondisclosure agreements annually;
- Conduct periodic systematic audits and inventories of confidential information;
- Conduct exit interviews of every departing employee; and,
- Bring lawsuits where necessary to protect the trade secrets.

Patents

A patent gives an inventor the right to exclude others from making, using, or selling the patented invention for, generally, 20 years from the filing date of the application of the patent. To be patentable, an invention must fall within at least one of the following categories:

- (a) Article of manufacture;
- (b) Machine;
- (c) Process or method;
- (d) Composition of matter (a chemical compound);
- (e) Improvement of any of the above;
- (f) Ornamental (nonfunctional) design of an article of manufacture; or
- (g) Asexually reproduced plant.

In addition, patentable inventions must be (a) new, (b) useful, and (c) non-obvious. Abstract ideas and scientific principles cannot be patented. They must first be embodied in a device or process that falls within one of the above classes.

Who May Patent?

Generally, only the inventors or their assignees, in the inventors' names, may obtain a patent. Of course, the inventor may assign the patent to someone else, such as his employer. The invention must be the original idea of the inventors; the inventors may not have obtained the idea from others.

As one might imagine, there can be some real battles about whether someone was an inventor if an invention is successful. It, therefore, is critical that inventors exercise care in sharing the work of the project and consider carefully the ramifications of discussing the work on the invention with others — especially persons outside his or her company.

If the inventor works for a corporation, does the corporation have any rights in the patent? It depends on whether he or she was initially hired or later directed to solve a specific problem or to exercise his/her inventive skills in a specific area. If not, then no — if the employee was simply hired or directed to make improvements in a particular area, and if the corporation has not provided for the assignment to it of all inventions in an agreement with the employee. However, even then, the employer may have a "shop right" to use the invention if the employee used the employer's facilities to conceive or make the invention. The line between the two is not clear, so it is wise to have an agreement with the employee specifically addressing the matter.

Abandonment-By-Sale

If the invention has been "offered for sale"

Erg

The new
detector
earlier n
improve

IMPRO

- Easy c
- Comfort
- Should

FASTER

- Integra
- Positiv
- More a

PROVE

- Lightw
- Infinite
- Autom

PH: (713

See our
on the In

The Best Just Keeps Getting Better



- The most comprehensive, monthly update available for ongoing, just-announced and upcoming pipeline projects. Our effective combination of news briefs and individual project summaries is unequaled.
- Detailed information including FERC status, project bid/start dates, route maps, key personnel, field offices and phone/fax/address information.
- Weekly updates for subscribers via our internet service. Major pipeline construction news doesn't wait 2-3 weeks for updates—and you shouldn't either!

For subscription information call (281) 558-6930, ext. 221; FAX (281) 558-7029 or visit: www.pipeline-news.com

or has been "sold" more than one year before the patent application is filed, then the inventor may be deemed to have abandoned the right to obtain, and therefore is barred from obtaining, a patent.

Losing Patent Rights

How can you lose your patent rights? In addition to the abandonment by sale rule just discussed, there are a number of ways in which an inventor can lose his/her opportunity to patent an invention, including, but not limited to:

1. Failing to mark the product with identification that the product is covered by the patent.
2. Failing to specify the "best mode" or embodiment of using the invention.
3. Failing to provide an adequate (complete) description of the invention in the patent application.
4. Failing to reduce the "invention" to practice – that is, in a usable form.
5. Failing to fairly and completely report the prior art so that the Patent Office can determine if the invention really is new and non-obvious.
6. If the inventor, or the assignee, cannot afford the cost of patenting the invention in foreign countries, then the invention may only be protected in this country.

Copyright Your Manuals

Consider copyrighting your equipment manuals. In certain circumstances, a manufacturer of equipment or a provider of services may want to copyright its manuals that are being used in the public or distributed to customers. For example, a manufacturer of compressors might want to copyright its equipment manuals so that its competitors might be legally barred from wholesale copying of the manuals. In that manner, the competitor will have to expend its own funds developing or improving its own manuals instead of simply copying your manuals.

Whether a company's manuals can be protected through copyrights requires extensive discussion concerning authorship, "work for hire" and other issues. Rather than delving extensively into those issues in this article, I want to simply raise the reader's consciousness of the issue. (Copyrighting perhaps will be the subject of a future article). *P&GJ*

Author: Charles Frost is a Shareholder practicing commercial and intellectual property litigation at Chamberlain, Hrdlicka, White, Williams & Martin. He has handled numerous trade secret and other IP cases, including in the energy sector. He holds a B.S. degree in general engineering from West Point, an MBA and a law degree from The University of Texas School of Law.

RMS WELDING SYSTEMS
1409 - 4TH STREET
NISKU, ALBERTA, CANADA T9E 7M9
PH: +1 780 955-3907
FAX: +1 780 955-3996
INFO@RMSWELDINGSYSTEMS.COM

RMS WELDING SYSTEMS
BRANCH OFFICE
HOUSTON, TEXAS, USA
PH: +1 281 893-0357
FAX: +1 281 895-8798
WWW.RMSWELDINGSYSTEMS.COM

RMS Welding Systems offers complete mechanized pipeline welding solutions, including consumables and service personnel. The RMS welding system is designed for, and field proven in harsh environments. It provides the flexibility, precision and reliability to meet the demands of a wide range of pipeline projects. Contact us for specific details for your project.



Through year
international
companies in
HPI projects.

Because