


Trademarks and Trade Secrets



Michael B. Adlin
Office of Enforcement
U.S. Patent and Trademark Office
michael.adlin@uspto.gov

1
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Trademarks

- Identify source of origin of product or service
 - word
 - logo/design
 - color
 - shape
 - smell
 - sound
- Prevents consumer confusion
 - Coke is from Coca-Cola
 - Viagra is from Pfizer

2
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Trademarks

- Rights
 - exclusive use of mark/identifier for particular goods/services
 - prevent use or registration of confusingly similar marks
 - rights extend as long as use/registration (renewal possible)
 - license
 - assignment
- Requirements
 - capable of identifying source
 - not descriptive/generic
 - Descriptive: CHOCOLATE FUDGE for candy
 - Generic: SODA for a beverage
 - used in commerce

3
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Trademarks

- Types
 - collective
 - certification (geographic indications)
 - “Well Known” marks
 - protected against dilution
- Registration
 - use not required for application, may be for registration
 - renewable potentially forever

4
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Trademarks

- Remedies
 - Injunctive relief
 - Preliminary
 - Permanent
 - Ex parte
 - Monetary relief
 - Profits/damages
 - Attorneys fees/costs
 - Seizure and destruction
 - Border
 - Criminal

5
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Trade Secrets

- Subject matter
 - formulae
 - processes
 - strategies
 - customer lists
- Requirements
 - provide owner economic/competitive advantage by being kept secret
 - any disclosure defeats protection
 - owner takes reasonable steps to maintain secrecy

6
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Trade Secrets

- Rights
 - prevent others from misappropriating
 - reverse engineering generally allowed
 - not generally registered
 - potentially indefinite duration

7
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Trade Secrets

- Remedies
 - Injunction
 - Preliminary
 - permanent
 - Damages
 - Profits/damages
 - Attorneys fees/costs

8
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How Can IP Assets be Exploited? An Example



9
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How Can IP Assets be Exploited? An Example

COCA COLA®

well known consumer product used worldwide

based in large part on intellectual properties effectively exploited

product incorporates all major forms of IPR:

- patents
- trademarks
- copyrights
- trade secrets

10
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How Can IP Assets be Exploited? An Example

COCA COLA® patents

approximately 800 U.S. patents

approximately 1,800 outside the U.S.

cover various product-related technologies

- packaging
- vending equipment
- fountain equipment
- water treatment

11
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How Can IP Assets be Exploited? An Example

COCA COLA® copyrights

advertising and merchandising materials

newspaper, television and radio ads

artwork on bottles

company manuals

jingles (songs)

software used to run business

12
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How Can IP Assets be Exploited? An Example

COCA COLA® product trademarks

COCA COLA® and variations thereof

COKE®

DIET COKE®

Slogans

SO REAL YOU CAN TASTE IT®

HAVE A COKE AND A SMILE™

13
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How Can IP Assets be Exploited? An Example

COCA COLA® Trade Dress--Bottle Shapes



U.S. Reg. No. 2,951,925

U.S. Reg. No. 1,057,884

(actual drawings registered with USPTO)

14
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How Can IP Assets be Exploited? An Example

COCA-COLA® Trade Secret:

FORMULA FOR MAKING COKE!!!!

15
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Strategic Exploitation of IP

- Coca-Cola carefully considered its IP use and exploitation strategies for COCA COLA® formula
 - Patent protection for formula would have expired
 - Trade secrets, however, do not expire, as long as they are maintained as secrets
 - Coca-Cola therefore chose trade secret rather than patent protection for its formula, and as a result Coca-Cola is one of world's most successful businesses
- SMEs should consider IP options just as carefully and can benefit just as much from smart exploitation strategies

16
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Exploitation of IP By SMEs—Some Options

- Licensing
 - Permitting use of IP for consideration
 - IP owner maintains ownership
 - IP owner derives revenue from licensee
 - IP owner may place costs of production, distribution, etc., on licensee
 - Potentially very lucrative—IBM earns \$1.5 billion annually from IP licensing
- Joint venture
 - Cooperative development and/or exploitation of IP
 - Sharing of risks and rewards
- Sale or resale arrangements
- Merchandising

17
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Exploitation of IP By SMEs—Some Options

- Merchandising
 - Extends IP to ancillary products and services, increasing its value
 - Sports jerseys with team logos or player names and numbers
 - Toys based on popular movies or books
 - Movie posters
 - WORLD CUP 2006 coffee cups, notebooks, etc.
 - Very low risk for licensor
 - Effective marketing tool for brand, product or service

18
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Licensing for SMEs—The Franchise Example

- Well Known U.S. Franchise Operations



19
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Licensing for SMEs—The Franchise Example

- What is a franchise?
 - Contract by which business “system” is licensed in exchange for a fee
 - The “system” is usually comprised primarily of IP
 - Trademark/brand
 - MCDONALDS
 - MIDAS
 - UPS STORE
 - Trade secret
 - Interior design of store
 - Method of operating business
 - Marketing strategies
 - Copyright
 - Advertising and marketing materials
 - Artwork/signs

20
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Licensing for SMEs—The Franchise Example

- Advantages of franchise arrangement for SMEs
 - Benefit from known brand with relatively little investment
 - Low risk of failure as system is already developed and proven to be successful
 - Collective purchasing by franchisees reduces costs
 - Training and support often offered by franchisor
 - Financing is made easier because business is known, proven and understood
 - R&D is conducted by franchisor, but franchisee benefits

21
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Licensing for SMEs—The Franchise Example

- Some disadvantages of franchise arrangement for SMEs
 - IP ultimately owned by franchisor
 - Freedom to act and innovate is usually limited by franchise agreement
 - Innovations by franchisees generally assigned automatically to franchisor per agreement
 - Portion of profits must be paid to franchisor

22
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Licensing for SMEs—The Franchise Example

- Success and impact of franchises
 - Approximately 14% of total world retail sales are made by franchises
 - 1 in 12 new businesses in U.S. is a franchise
 - In Malaysia, total franchise sales exceed \$5 billion annually, employing 80,000 people

23
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24
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