



The Umbrella™

An Intellectual Property Law Update

Creating Your Own Laws With Terms of Use



By Casey L. Griffith

Companies have long utilized terms of sale to govern the relationship between themselves and their customers. For instance, purchase orders often contain language limiting the warranties applicable to particular products or services. Imposing such terms is equally important, if not more so, in the Internet Age. Any company offering goods or services through a website should utilize “terms of use” to establish the rules governing the relationship with their customers.

The important thing to realize is that by employing website terms of use, a company can alter the default laws and rules that govern the relationship between the company and consumers. For example, the terms of use could be used to establish the venue for a dispute, limit the amount of damages that could be awarded, or even require arbitration rather than litigation.

Before implementing terms of use, first consider whether the terms are legally enforceable. The key in determining the enforceability of a set of website terms of use is notice. In other words, is the customer on notice that he has agreed to the terms of use?

The only means to guarantee that your customers are provided adequate notice is to utilize a so-called “clickwrap agreement.” A clickwrap agreement appears on an internet webpage and requires that a user consent to any terms or conditions by clicking “I agree” (or the like) to proceed with the internet transaction. Clickwrap agreements are virtually always deemed to be sufficient notice to create binding terms of use.

If it is impractical to use a clickwrap agreement, the enforceability of the terms of use will depend on

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Pssst! I’ve Got a Secret



By Christopher P. O’Hagan

In the field of intellectual property much of the attention is garnered by the so-called “hard” categories of IP including patents, trademarks and copyrights, with patents often considered the crown jewels. However, for many industries, even those that already rely heavily on patents, trade secrets can be extremely valuable IP assets that are often neglected or relegated to secondary status.

As the name suggests, trade secrets comprise information and methods that the owner does not want to reveal to outsiders, principally competitors.

Trade secrets might be as simple as a customer list or as sophisticated as a manufacturing method. Key elements of trade secrets are that they convey some competitive advantage to the owner and they can indeed be kept secret from outsiders. In contrast, patents typically cover methods and products that cannot be kept secret from the public (including competitors) and must therefore be protected by means other than secrecy. For example, while competitors might not be able to observe one’s manufacturing method, they can easily copy the product sold to

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A Smart Car for a Smart Firm

Associate attorney Celina Diaz is shown modeling Carstens & Cahoon's recently purchased firm automobile (or maybe we should call it half an automobile). The contraption is one of the new Smart Cars recently imported into the United States. A Smart Car is an ultra-low emission vehicle ("UEV") that is manufactured in France using environmentally-friendly manufacturing techniques. This cute conveyance is available to all our employees for trips relating to firm business and has been turning heads all around town.



Creating Your Own Laws

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whether the consumer has actual notice of the terms of use being imposed. Courts are reluctant to bind consumers to terms of use that are not part of a clickwrap agreement, on grounds that proof of the consumer's knowledge of the terms is lacking. Nevertheless, placement of notice of the proposed terms of use on the website as conspicuously as possible may be sufficient to put the consumer on actual notice of the terms of use. Whether the terms of use are actually read by a consumer is not relevant to the enforceability of the terms. If the terms of use are changed after the consumer's initial assent, then notice to the consumer of the changes is required.

Website terms of use can be used both offensively and defensively. For instance, by limiting a consumer's right to use a company's website, the consumer's use of the website contrary to those limitations may subject the consumer to civil liability for violating criminal statutes such as the Computer Fraud and Abuse Act. Possessing a claim against the consumer can be very useful in the event that the consumer files a lawsuit against the company.

Even if the terms of use in general are enforceable, specific provisions within the terms of use must also be analyzed for enforceability. The specific provisions within website terms of use are analyzed as if they were contained within any ordinary, written contract. Courts have upheld many different types of provisions contained in website terms of use agreements, including:

- provisions limiting or eliminating entirely a company's liability to a consumer;
- terms requiring that a consumer indemnify a company from any damages, expenses or fees related to disputes arising out of the use of a website, or the products or services offered thereon;
- language requiring that any dispute be brought in the courts of a particular state or be governed by the law of a particular state; and
- clauses requiring that any dispute between a company and the consumer be arbitrated.

These are a few of the examples of the types of provisions that can be included in website terms of use. While creativity should be exercised in drafting terms of use, the terms should be adapted to fit specific needs. It is inadvisable to simply copy another company's terms of use, particularly one in a different field, because there is a risk of imposing costly, inconvenient, or impracticable obligations (such as excessive obligations to protect consumers' privacy), and running afoul of antitrust, consumer protection, or similar laws. As with any contract, consult an attorney for advice prior to implementing the terms of use.

Pirates of the Twenty-First Century Tips for Fighting Back



By Zachary W. Hilton

Over the course of the last couple of decades, the counterfeiting of every conceivable product has become endemic worldwide. While thought of as harmless by many, the massive amount of trade currently occurring in counterfeit products can often lead to disastrous consequences for both individuals and businesses.

As the World Health Organization (WHO) now estimates that approximately 8-10% of the global medicine supply chain is counterfeit, it is not difficult to imagine the harm that may be caused to the millions of unsuspecting persons that ingest or inject useless and often dangerous knock-off drugs. Even the highly regulated aviation industry is seeing counterfeit components make their way into aircraft systems. Such components have been blamed for multiple commercial aviation accidents that have resulted in numerous fatalities.

Though not as readily apparent as the life-threatening consequences highlighted above, businesses are also feeling the pain from counterfeiting as their revenues shrink as a result of being in direct competition with knock-offs of their own products. It is estimated that the counterfeiters annually reap approximately \$640 billion in sales from counterfeited goods worldwide. Although some industries have been traditionally harder hit by counterfeiters than others, it is essential that every business investigate the extent to which counterfeiting may be affecting its bottom line and formulate an effective anti-counterfeiting strategy.

Once a trademark or copyright has been recorded with Customs and key ports of importation are identified, Customs personnel at those ports should periodically be sent a packet of information specifically identifying the IP rights you seek to have protected.

Combating Counterfeiters

One available means by which a business can take action against counterfeiters is to work in cooperation with the U.S. Customs and Border Protection (Customs) agency in their efforts to seize counterfeit goods as they enter the

United States at our nation's many points of entry (shipping ports, border crossings, international airports, etc.). Customs has implemented a program which primarily relies on businesses to notify it of the existence of intellectual property rights they seek to protect through Customs' power to seize counterfeit goods upon entry into the United States.



In order to facilitate this process, Customs has provided participants with an online system that allows a participant to notify Customs of the existence of particular trademarks and copyrights owned by the participant. Customs then monitors imports for counterfeited goods bearing such trademarks, or bearing or embodying such copyrighted works. When found, the goods are seized by Customs.

To record a trademark or copyright, a participating business or its representative is required to enter specific information concerning the trademark or copyright, such as the registration number, the name of the owner, an identification of the trademark or copyright, etc. The participant must also identify the names of entities that are permitted to use the particular intellectual property being recorded and the country in which genuine goods are manufactured.

Active Involvement with Customs is a Necessity

With the high volume of recordings filed with

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Pirates

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Customs and the sheer number of goods flowing into the United States on a daily basis, it is not enough to merely record your intellectual property rights and expect Customs to seize all counterfeit goods associated with those rights. Active involvement with Customs personnel at the key ports in which you anticipate the importation of counterfeited goods is essential to effectively preventing shipments of counterfeit goods from entering the country.

Once a trademark or copyright has been recorded with the Customs and key ports of importation are identified, the Customs personnel at those ports should periodically be sent a packet of information specifically identifying the IP rights you seek to have protected. The packet should include items such as photographs of both your trademark or copyrighted work and any known counterfeited goods, a list of likely unauthorized importers of counterfeited goods, and the names of countries you anticipate may be the origin of shipments of targeted counterfeited goods.

In general, the more effective you are at educating Customs personnel at key ports as to the rights you seek to pro-

tect, the more likely it is that the counterfeited goods you are targeting will be seized upon entry into the country. Therefore, we recommend that you or your representative(s) regularly travel to key ports of entry and build a rapport with the Customs personnel, giving them periodic presentations that remind them of what they should be looking for in trying to prevent the targeted counterfeited goods from successfully entering the country. Not surprisingly, the primary key to working with Customs personnel in implementing an anti-counterfeiting strategy is persistence.

Allow Carstens & Cahoon, LLP to Serve You

Carstens & Cahoon, LLP, with its many years of specialized experience in the area of intellectual property, is uniquely equipped to assist you in the formulation and implementation of a long-term anti-counterfeiting strategy. There are no easy fixes to combat counterfeiting, but with persistence and a concentrated effort, we can help make an impact that will improve your bottom line and put the counterfeiters out of business. Please contact our office to discuss how we can best serve your needs.

Secret

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the public. Therefore, the product itself would need patent protection. In addition, depending on the nature of the product, competitors might be able to reverse engineer much of the manufacturing method without having to witness it directly. Therefore, the manufacturing method might also require patent protection, even though it occurs behind closed doors.

Key questions in deciding whether to rely on trade secret protection versus patent protection involve the practicality of keeping the intellectual property secret. What kind of privacy and security measures would be required? How would they be enforced and at what costs? Can outsiders practically be excluded? Can the intellectual property be reverse engineered? How long do we want to protect the intellectual property in question? The last question in particular raises an important consideration. While patents are limited to a term of 20 years, trade secrets are valid for as long as they are kept secret. The classic example is the recipe for Coca-Cola®. If the Coca-Cola® Company had successfully patented its recipe, the patent would have expired by the 1940's and everyone in the industry would be making it today.

Part of the neglect of trade secrets undoubtedly stems from the fact that many trade secrets are poorly defined,

and quite often companies do not make a serious attempt to clearly delineate their trade secrets until a dispute arises, often within the context of enforcing non-disclosure and/or non-compete agreements with former employees. Typically, the only forethought given to trade secrets is when employees are asked to sign confidentiality agreements as a condition of their employment.

This state of affairs inevitably pulls the issue of trade secrets largely into the realm of labor and employment law. However, the crucial question that must always be answered is what exactly constitutes the trade secret(s) in question? In order to better answer this question, both in anticipation of trade secret disputes and during their resolution, we must firmly pull trade secrets back into the realm of intellectual property where they belong and attempt to make them every bit as "hard" and well defined as patentable inventions.

In some industries, trade secrets can be nicely defined and easy to identify. Examples include customer contact lists for the financial industry and the ever-popular textbook example of the Coca-Cola® recipe mentioned above. However, most trade secrets are not

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so easily identified, particularly in the fields of technology and manufacturing.

Much of the “hard” character of patents mentioned above stems largely from the statutory and judicial standards required of patent applications. A patent application must include a specification that clearly explains what an invention does and how it does it. More importantly, a patent application must also include at least one claim that clearly and unambiguously defines the metes and bounds of the invention. Frequently, the process of drafting the patent application helps to define and clarify the nature of the invention in ways that were not originally appreciated or considered by the inventors. Of particular importance is the fact that clear delineation and definition of the intellectual property occurs up front, before disclosure to the world and subsequent disputes.

A similar process can be applied to many trade secrets, particularly those of a technical nature. While utilizing some of the features of patent documents, this type of trade secret documentation has the advantage of not having to conform to the strict requirements for patent applications, including the often torturous language required for patent claims. As such, defining the metes and bounds of a trade secret can be done in language that somewhat approximates proper English (a feat rarely accomplished by patent claims), thereby making the trade secrets more easily understood by outsiders and non-technical people (e.g., judges and juries).

By building a portfolio of formal trade secret descriptions that explain exactly how the secrets improves upon prior techniques, a company not only makes it easier to meet the legal standards for protecting and enforcing its trade secrets but in the same process provides a more solid basis upon which to value these IP assets.

Furthermore, because such documentation is in-house and less formal than patents, it can be updated, revised and expanded much more easily and with far less cost and delay than patents, which must run the bureaucratic gauntlet of the Patent Office.

Patent law requires patent applications to disclose enough technical detail to enable someone working in

that field to reproduce the invention without undue experimentation. However, in the effort to meet this enablement requirement, inventors may be disclosing more technical information than necessary.

As mentioned above, the process of drafting patent applications often helps inventors to clarify the nature of their inventions. In combination with a more formalized description of trade secrets, this clarification process can be extended to determine more precisely what information has to be disclosed to enable others to reproduce the patentable invention and what information can in fact be kept secret. In this manner patents and trade secret documents can be developed and used together in a more coordinated manner that not only complements and reinforces each other but also improves the quality of the final product in both categories.



A final and very important advantage to formal trade secret descriptions relates to valuation of IP assets. For some companies, intellectual property constitutes a significant portion of their assets. Typically, valuing IP assets such as patents and trademarks that have precisely defined legal boundaries is relatively easy compared to the often nebulous world of trade secrets. This presents a significant disadvantage to companies, particularly start ups in search of venture capital, for whom trade secrets constitute much of their intellectual property. One of the legal requirements for trade secrets is that they confer a competitive advantage to the owner. By building a portfolio of formal trade secret descriptions that explain exactly how the secrets improves upon prior techniques, a company not only makes it easier to meet the legal standards for protecting and enforcing its trade secrets but in the same process provides a more solid basis upon which to value these IP assets.

While some will hesitate to place explicitly defined boundaries on the scope of their trade secrets, the simple fact of the matter is that property rights cannot be protected and enforced unless we first know what the boundaries of the property are, be they physical or conceptual.

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Attorney Profile—Casey L. Griffith

Casey L. Griffith is a patent attorney who concentrates his practice in the area of intellectual property litigation. Mr. Griffith is experienced in litigating myriad intellectual property rights, including patents, trademarks, copyrights and trade secrets. He has represented individuals, small businesses, and large corporations, and managed all phases of a lawsuit, from filing, to trial, and appeal.

From early in his legal career, Mr. Griffith has prized being a litigator. Immediately after law school, he obtained experience in a variety of areas, such as civil rights, employment discrimination, personal injury, and business tort litigation. The technical subject matter of the intellectual property litigation in which he has participated since then has also been quite diverse, and includes medical devices, road safety devices, nutritional supplements, online relationship services, hand tools, and radar detectors.

Mr. Griffith takes pride in looking beyond the surface to find and develop creative and unique solutions on behalf of clients. As a long-distance runner and backpacker, he understands the importance of planning ahead and maintaining the fortitude required to achieve distant goals. Mr. Griffith applies those same principles in working with clients to achieve a successful resolution of their intellectual property disputes.

