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Intellectual Property Focus:

IP Protection in a Tough Economy

By Mohammad S. Rahman

During tough economic cycles a client may ask how best to protect his/her IP rights while minimizing costs. IP rights can be perfected by simply doing nothing in some instances, by the client being extremely diligent in protecting the underlying asset, or by formally asserting IP rights.

An attorney should first assess what types of activities give rise to IP protection. Most clients will have IP issues pertaining to one of the following broad range of activities: patent, trademark, trade secret and copyright protection. Sometimes a particular activity may concurrently involve more than one of these protections.

Next, the attorney must prioritize the activities, which may be assessed by determining the (a) effort involved in IP protection, (b) costs, (c) statute of limitations, (d) return on investment, and (e) consequences for not perfecting IP protection.

(a) Effort – Each category of IP protection has its own formal and/or informal requirements for protection. The only way to achieve patent protection for an invention is to file a patent application with the Patent & Trademark Office. If a client does not have the budget to file a utility application, then filing a provisional application may offer a cost-effective alternative approach. Trademark protection is established by the dates of first use in commerce for a particular trademark. A trademark application does not have to be filed. However, prudent record-keeping establishing dates of first use of the trademark are paramount and will establish superior/inferior rights should another entity claim the same trademark rights. Trade-secret protection is established by keeping the underlying asset or know-how a secret. No formal application is required. However, once the secret is divulged, the trade secret lapses. Copyright protection is established as soon as the underlying work is fixed in a tangible medium of expression, which could merely be a file saved on a computer or a hard copy print-out of the work. A copyright application does not have to be filed (unless a lawsuit will be pending). However, the date of fixation of the work of authorship in the tangible medium of expression must be verifiable in the event a future dispute arises with another entity claiming copyright protection for the same work of authorship.

(b) Costs – IP protection costs vary depending on the type of protection sought. Additionally, costs can escalate if due diligence is required (i.e., prior art patent search, trademark clearance search, etc.). Patent protection can be relatively expensive depending on the complexity of the invention. Trade-secret protection may require that the client establish in-house protocols that keep a trade secret a secret. This may involve heightened security standards and confidentiality agreements or training programs on how to prevent inadvertent disclosure with those individuals who have access to the trade secret. Trademark and copyright protection are generally inexpensive. The costs could simply involve record-keeping. However, even if registration is sought, the associated costs are relatively inexpensive.

(c) Statute of Limitations – There is a one-year grace period for filing a patent application after the occurrence of a public disclosure, commercial use, sale, offer for sale or provisional patent filing. There is no statute of limitations for filing trademark or copyright applications, assuming rights of priority to corresponding foreign filings are not an issue. However, it is easier to sue and recover for copyright infringement if a copyright registration occurs within three months of the work's publication date or prior to infringement. Trade secrets remain valid in perpetuity so long as they remain secret.

(d) Return on Investment – The return on investment associated with IP can be measured by licensing revenue, asset value, goodwill or other identifiers. An IP attorney can assist in drafting licenses, assignments or contracts where the underlying asset is transferred, and help determine royalty rates.

(e) Consequences – The consequences for not perfecting IP rights may result in the client effectively giving up all IP rights in the underlying asset. Not filing a patent application within the proscribed time periods results in a complete loss of patent rights. Disclosure of a trade secret will rescind the trade-secret protection, even if the disclosure was inadvertent or by criminal means. Delay in filing a trademark or copyright application may not necessarily be deleterious, but could increase future litigation costs or

For previous IP coverage, read the [March 2008](#) or [2007 Bar Bulletin](#)

increase standards of proof.

The attorney should advise the appropriate level of protection to meet the client's needs. An estimation of the costs and effects associated with each category is not only appreciated by the client, but in tough economic times it may be required to allow the client to properly forecast and budget, and thereby determine which form of protection is desirable.

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