

## Is Your Proprietary Information Truly A Trade Secret ?

Generally, a trade secret is defined as " information, including a formula, pattern, compilation, program, device, method, technique or process, that: (1) Derives independent economic value, actual or potential, from not being generally known to the public or other persons who can obtain economic value from its disclosure or use; and (2) Is the subject of efforts that are reasonable under the circumstances to maintain secrecy. See *California Civil Code* §3426 (2006). Based upon this definition, a trade secret must meet three requirements: (1) information; (2) value from being unknown; and (3) secrecy.

There are eight specifically recognized forms of protectable information: "a formula, pattern, compilation, program, device, method, technique or process." However this list is not exhaustive. Case

law has expanded this term to include advertising plans, business strategies, chemical combinations, cost information, customer lists, customer information, data bases, engineering designs, and profit margins to name a few. What does not classify as protectable information are business forms, client names and addresses already known to employees prior to employment, publicly available customer lists, product design features revealed by products in the marketplace, telemarketing scripts.

For information to be valuable, it must derive actual or potential "independent economic value" from not being generally known. Therefore, if the value is only from the past because the information was later publicly disclosed, the information no longer qualifies as being valuable. Furthermore, noneconomic value such as sentimental, or spiritual is insuff-

icient to establish recognized-value.

Secrecy requires that the information is not generally known. To support claims of secrecy, courts merely require that trade secret holders take "reasonable steps" to maintain secrecy of their trade secrets. California law does not require absolute secrecy. Furthermore, courts do not require that companies take all conceivable measures to maintain secrecy. Rather, the measures simply must be reasonable under the circumstances. Consequently, secrecy is determined on an *ad hoc* basis.

If you would like assistance in evaluating whether your information qualifies as a protectable trade secret, it is recommended that an audit be undertaken with the assistance of qualified intellectual property counsel.

## ELECTRONIC INVENTIONS AND SOFTWARE PROTECTION

Although laws of nature including algorithms are not patentable, the use of algorithms as part of software to drive devices which transform data, i.e., converts the data from one form of information into a new and useful form of information is patentable. For example, an invention which related to a system that allows an administrator to monitor and record the financial information flow and make all calculations necessary for maintaining a partner fund financial services configuration was found to be patentable. In particular, this system provides a means for a daily allocation of assets for two or more Spokes, i.e., investors, that are invested in the same Hub, i.e., investment. The system determines the percentage share that each Spoke maintains in the Hub, while taking into consideration

## TRADEMARK REGISTRATIONS: A Valuable I.P. Asset

A trademark includes any word, name, symbol, color or device, or any combination, used, or intended to be used, in commerce to identify and distinguish the goods or services of one source or purveyor from goods and services from of another manufactured or supplier.

Although trademark federal registration is not required for protection, it has several advantages, including notice to the public of the registrant's claim of ownership of the mark, a legal presumption of ownership nationwide, and the exclusive right to use the

mark on or in connection with the goods or services set forth in the registration. In addition, the registrant of a federal trademark may use the federal registration as the basis for obtaining registration in foreign countries and prevent the importation of infringing foreign goods.

Trademarks are segregated into four categories: generic, descriptive, suggestive and arbitrary/fanciful.

Marks that constitute a common descriptive name are referred to as generic. Generic terms are not registrable. Examples of canceled generic marks are aspirin, thermos and cellophane.

A "merely descriptive" mark describes the qualities, ingredients or characteristics of a good or service. A descriptive mark may be registered only if

the applicant that there is an association between the mark and the product or service service in the mind of the consumer. An example of a registered descriptive mark is "Park N Fly®."

Suggestive marks are those that, when applied to the goods or services at issue, require imagination, thought or perception to reach a conclusion as to the nature of those goods or services. An example of a suggestive mark is SNO-RAKE® for a snow removal hand tool.

Arbitrary and fanciful marks are both registrable. Fanciful marks comprise terms that have been invented for the sole purpose of functioning as a trademark or service mark. Such marks comprise words

that are either unknown in the language (e.g., KODAK®, EXXON®) or are completely out of common usage (e.g., FLIV-VER®). Arbitrary marks comprise words that are in common linguistic use but, when used to identify particular goods or services, do not suggest or describe a significant ingredient, quality or characteristic of the goods or services (e.g., APPLE® for computers).

The United States Patent and Trademark Office will not permit the registration of trademarks which are confusingly similar to pre-existing trademarks. The determination of "confusingly similar" is normally based on the Trademark Office's conclusion that the applicant's mark, as used on or in connection with the specified goods or services, so resembles a registered mark as to be likely to cause confusion. In addition,

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### Trademarks. cont'd

registration may be refused if your trademark is deemed to be immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons; or indicates a geographical location other than the place of origin of the goods.

Therefore, when selecting a name for a new product, service or company, it is best to select an arbitrary or fanciful brand name. The selection of an arbitrary/fanciful will afford you greater protection as well as increased identity with consumers.

### Software. Cont'd

daily changes both in the value of the Hub's investment securities and in the concomitant amount of

each Spoke's assets. See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368 (Fed. Cir. 1998).

The Federal Circuit explains that certain types of mathe-

matical subject matter, standing alone, represent nothing more than abstract ideas until reduced to some type of practical application, i.e., "a useful, concrete and tangible result." From a practical standpoint, this means that to be patentable an algorithm must be applied in a "useful" way. In the seminal case of *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), the Court held that data, transformed by a machine through a series of mathematical calculations to produce a smooth waveform display on a rasterizer monitor, constituted a patentable application of an abstract idea (a mathematical algorithm, formula, or calculation), because it produced "a useful, concrete and tangible result"—the smooth waveform. Consequently, if you have a device which incorporates software that performs a transformative function, the software as an integral part of the greater machinery is protectable.

In addition to patent pro-

tection, software, i.e., source code, including on-screen user interfaces, regardless of whether it performs a transformative function may be protected under United States Copyright Law. The requirements for filing with the Copyright Office are available on the Copyright Office's web site, [www.copyright.gov](http://www.copyright.gov) within Circular Nos. 61 and 66.

Plager Law Offices has experience in software and computer-related technologies and can provide you with further information and assistance relating to your novel software innovations.

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