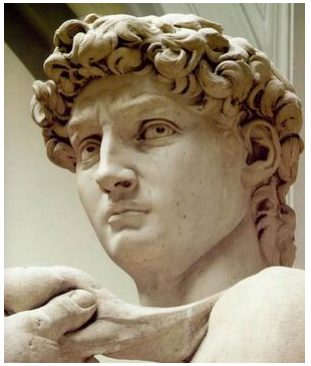
Intellectual Property Fundamentals

Presented by:
The Intellectual Property Advisory Group

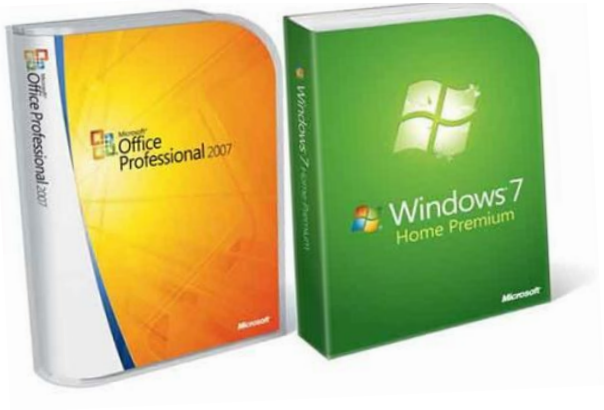
What is intellectual property?

Intellectual property (IP) is a legal term that refers to creations of the mind, including an idea, invention or process that are protectable under copyright, patent, trademark, and trade secrets law.

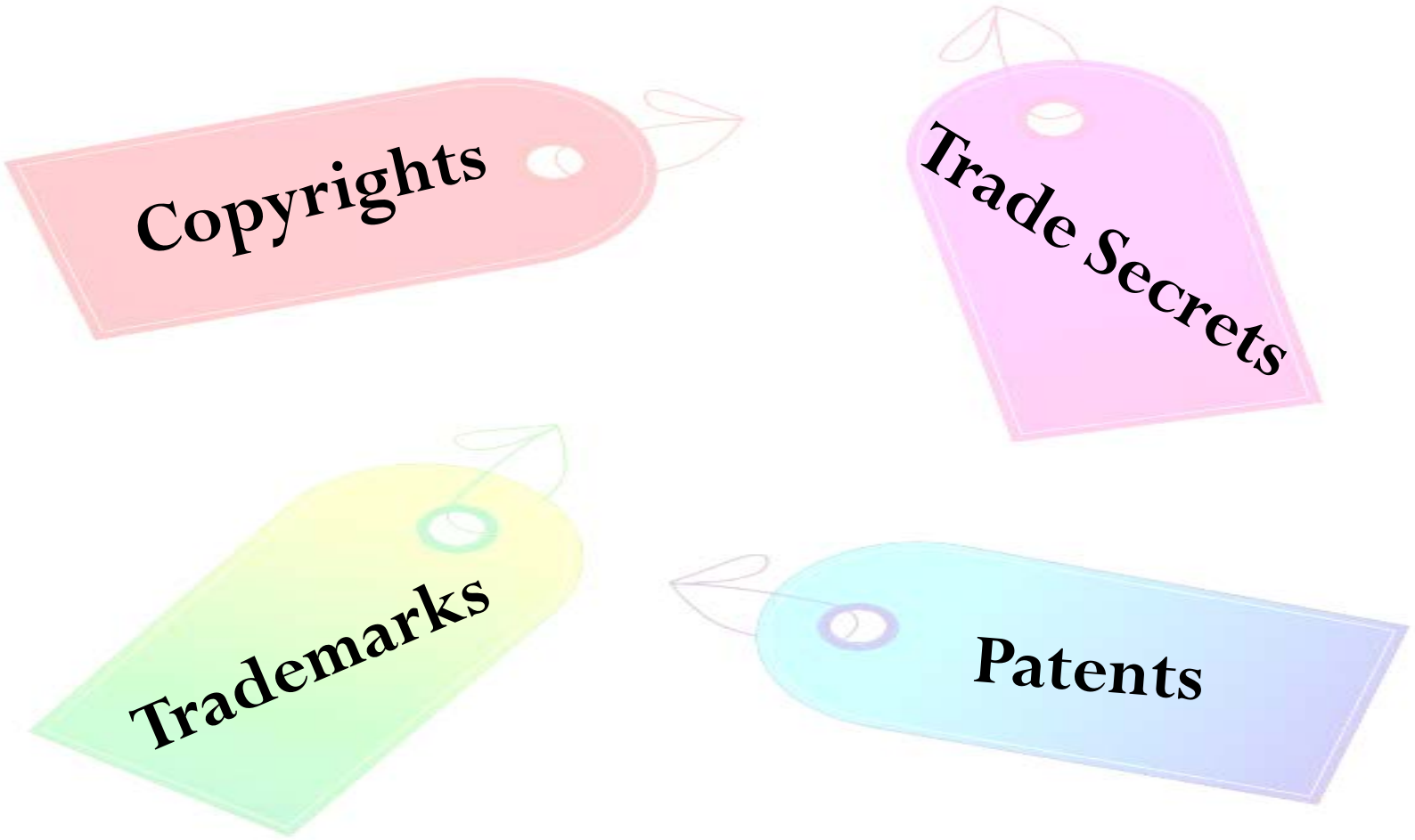


Common examples include:

Books
Sculpture
Designs
Discoveries
Logos
Phrases
Software
Symbols
Words



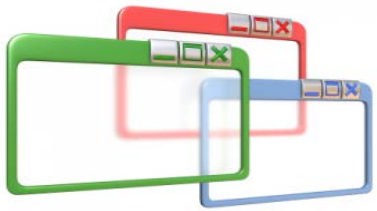
There are four main types of intellectual property:

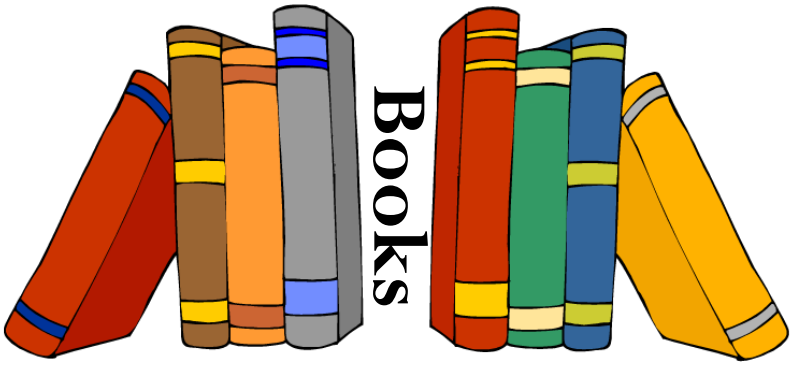


What is copyright?

Copyright protects original work of authorship such as literary works, audio/video recordings, software, photos, and maps created by a state agency, department or by one of its consultants or vendors. Copyright law is governed by the U.S. Copyright Act of 1976 (Title 17, U.S.C., section 101 et seq.)

Examples of works of authorship:





Brochures

Copyright Protection

The person who created the work is called the "author." An author automatically has copyright protection for his or her original works of authorship once they have been expressed in a tangible form.

Tangible: is it real; can it be touched or reproduced; is it something that can be perceived by the senses.

The author has the exclusive right to do and authorize others to:

1. Reproduce the work
2. Prepare derivative work
3. Distribute copies of the work
4. Perform the work
5. Display the work

Creation of Copyrighted Materials

- Copyright does NOT protect thoughts or ideas
- Copyright protects the method of *expression* and not the facts contained in an original work of authorship
- Copyright protection arises upon fixation in a tangible media; registration is not required but does have important advantages (federal law recognizes both registered and unregistered copyrights)
- Thus, a story cannot be copyrighted until its words are transcribed on paper or a similar medium; similarly, a song cannot be copyrighted until its notes and lyrics are recorded or set in some other perceptible form

Use of the Copyright Symbol

- The © symbol can be used EVEN IF the work is not registered with the U.S. Copyright Office
- As a best practice, the symbol should be used on any copyrightable materials that a state agency or department posts or publishes and wants to protect
- Questions about the use of the © symbol should be discussed with agency or department legal counsel

Duration of a Copyright

- Pre-1978 works: One 28 year term plus an additional term of 67 years
- Works created in 1978 and beyond: The life of the author plus 70 years
- Work made for hire: 95 years after the first publication or 125 years after creation, whichever expires first
- Once the relevant time period expires, and in other very limited circumstances, the work typically enters the public domain and may be freely used without restriction

Ownership of Copyrighted Materials

- In the case of actual employees who use employer resources and time to create the materials, the employer is the owner
- However, an independent contractor or service contract provider will own the copyright to the materials UNLESS:
    a. The work qualifies as a work made for hire (narrow circumstances AND there is a written agreement so providing); or
    b. The independent contractor *assigns the copyright* to the work to the principal.
- There are several nuances in California law that can make it problematic to use a work made for hire agreement with independent contractors who are individuals (i.e., they might be deemed employees for certain insurance purposes)

When Are Copyrighted Material in the Public Domain

- The term public domain denotes materials that are not protected by intellectual property laws such as copyright, trademark, or patent laws
- The public owns these works, not an individual author or artist; consequently, anyone can use a public domain work without obtaining permission, but no one can ever own it
- Posting a copyrighted work, such as a state manual, on the Internet means that it is downloadable and will be difficult to protect
- Consequently, when posting state owned materials on the Internet, it is best to post them in a format such as .pdf and to include terms and conditions outlining the appropriate use of these materials (a "click wrap" agreement requiring consent is one example of these terms and conditions)

Dangers of Using Internet Materials

- An article of IP typically takes a tangible form, such as in a book or DVD; however, there are separate and distinct intangible rights that also attach when IP is created
- Under the "first sale" doctrine, a purchaser acquires the ability to sell or transfer the tangible article but she does not obtain any of the intangible IP rights, such as the ability to reproduce or distribute the work
- Given that IP protection arises upon fixation of the work in a tangible medium, Internet content generally should not be used without written permission and appropriate attribution
- This restriction has special relevance with respect to music found on the Internet as companies that own these works are very zealous in protecting their property interests
- Exceptions to this general rule are discussed in the "Defenses to a Claim of Infringement" and the "Fair Use" sections of this training

Navigating the Use of Photographs Found on the Internet

- The use of photographs found on the Internet presents special problems as most are protected under copyright law
- Consequently, the use of a photograph found on the Internet typically requires written permission or a waiver from the copyright owner
- Some Internet sites, such as Creative Commons, have standard licenses that may permit some uses of a photograph so long as license requirements are strictly met
- The question of whether a photograph found on the Internet may be used is a difficult one with the result that agency or departmental legal counsel should be consulted prior to use
- One state agency had to use a photograph taken by staff because a suitable one, with the appropriate licenses, could not be found on the Internet

Copyright and Social Media

- Social Media, such as Facebook and Twitter, utilize a great deal of copyrighted materials that should only be used with the utmost of caution
- These social media sites have very strict terms and conditions; it is very easy to violate these terms, which may prompt a legal claim for copyright infringement
- Posting copyrighted materials that are owned by the state runs the risk that these materials will be deemed within the public domain
- Remember: It is not necessary for copyrighted materials to contain the © designation so the absence of the designation does NOT mean that these materials are free to use
- If a license is obtained for copyrighted materials, care must be exercised not to violate the terms of the license as this could also prompt a copyright infringement claim

Copyright Registration

Registration is not necessary or required but is strongly recommended for published or commercially-distributed works because it is a pre-requisite for the owner to pursue a legal action for copyright infringement.

Eligibility for copyright:

Advantages of Copyright Registration

- Enables the copyright owner to institute a federal court action in order to prevent others from engaging in the exclusive rights of the owner (i.e., reproduction, distribution, public performance, public display, or the preparation of derivative works)
- *Registration* establishes a public record of the copyright claim
- *Registration* of a copyright with the U.S. Copyright Office allows an aggrieved owner to seek statutory damages and attorney fees in a copyright infringement lawsuit
- A copyright notice is not required for enforceability but it creates a presumption of knowledge. A copyright notice consists of ©, the year of first publication, and the name of the copyright owner
- Registering a copyright is the least expensive form of IP protection and usually takes approximately eight to fourteen months (see, www.copyright.gov/help/faq/faq-what.html)

Registration of Works Created by State Employees Using Public Funds

- Not all copyrightable materials should be registered by state agencies and departments, such as emails and meeting agendas
- Some materials created by a state governmental entity might be suitable for release into the public domain in order to maximize the overall public benefit
- The decision to register (or not) must be made at the management or legal office level based on the policies, missions and goals of the respective state agency or department

Factors to Consider When Deciding Whether to Register a Copyright

- The importance of public access to the materials
- The risk of unauthorized, private commercial gain arising from the unrestricted use of the materials (one state department had to act to prevent the use of a sponsored vehicle license plate on popcorn bags being sold at a local store)
- The importance of the materials in disseminating the goals and mission of the state agency or department to the public
- The feasibility of licensing the use of the materials on a non-exclusive, limited basis
- The overall public perception created by limiting access to the information or materials
- **NOTE:** The fact that copyrightable materials are not registered does not mean that the materials lack legal protection; the common law establishes protection for such unregistered materials

Should Copyrighted Materials be Placed in the Public Domain?

- The answer to this important question involves a three-part process:
- Is the work one that the state agency or department desires or needs to protect based on the factors outlined in the previous slide, including the potential value of the work?
- Should the materials be placed in the public domain due to the importance of public access and the need to further the mission and goals of the agency or department?
- If the agency or department determines that copyright protection is warranted, should the materials be registered with the U.S. Copyright Office?
- In most instances, these questions should be answered by a knowledgeable committee at the agency or department with the assistance of legal counsel

Copyright Infringement

- Copyright owner must show a valid copyright, that the infringer had access to the original work, and a "substantial similarity" between the two works
- The use of copyrighted materials by state agencies and departments without permission can result in legal liability for copyright infringement
- Remedies include:
  - Injunction
  - Damages (actual and statutory if registered before the infringement, before publication, or within 3 months after publication)
  - Attorneys' fees (if registered with the U.S. Copyright Office within the required time period)

Substantial Similarity and Access

- Substantial similarity and access are necessary elements of a valid copyright infringement claim
- Exact copying of a work is not required
- Substantial similarity is the standard used to determine whether copyright infringement has occurred
- Courts rely on several factors when applying this test, including the uniqueness, intricacy, or complexity of the similar sections, unexpected or idiosyncratic features that are repeated in the second work, the appearance of the same errors or mistakes in both works, and similar factors
- Absent proof of actual access, copying can be established if the similarities are so striking so as to preclude the possibility of independent creation

Defenses to a Claim of Copyright Infringement

- Independent creation (the allegedly infringing work was not copied)
- De Minimis Use (although exact copying has occurred, the copying is not substantial and does not copy the fundamental substance of the work)
- An authorized license has been obtained from the owner
- The statute of limitations (i.e., three years) has expired
- Public Domain
  - Intentional decision by copyright owner to place works into the public domain with no restriction on use.
  - The copyright has expired or was never properly perfected under earlier statute
- Fair Use
  - Allows the taking of portions of copyrighted works for limited purposes without requiring permission. This is a case-by-case determination weighing the following factors:
    - Purpose and character of the use;
    - Nature of the copyrighted work;
    - Amount and substantiality or portion used; and
    - Effect on the potential market for copyrighted work.

More on Fair Use

- The 1961 Report of the Register of Copyrights on General Revision of the U.S. Copyright Law cites examples of activities that courts have regarded as fair use:
  - Quotation of short passages in a scholarly or technical work, for illustration or work parodied
  - Summary of an address or article, with brief quotations, in a news report;
  - Quotation of excerpts in a review or criticism for purposes of illustrations or comment;
  - Reproduction by a teacher or student of a small part of a work to illustrate a lesson;
  - Reproduction of a work in legislative or judicial proceedings or reports; and
  - Incidental and fortuitous reproduction, in a newsreel or broadcast, of a work located at the scene of an event being reported.

Fair Use -- Continued

- Purpose and character of the use:
  - Uses deemed most appropriate are for criticism, comment, news reporting, teaching, scholarship, or research.
  - Is the use commercial?
    - "The crux of the profit/non-profit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted materials without paying the customary price." *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985)
  - Is the use productive with a socially laudable purpose? A closely related question is whether the use is transformative with a new or different message or purpose

Fair Use -- Continued

- Nature of copyrighted work: a higher degree of protection is afforded for more creative works
- Amount and substantiality of the portion used
    - Consideration is given to both the quantity and quality of the portion of the work used
- Effect on potential market for copyrighted work
    - Could the infringing use replace or significantly impair the market for the copyrighted work? Are there reasonably available licenses? Is the use repeated and long term?

The Google Cases and Fair Use

- *Oracle v. Google*: On remand, a jury recently found that Google's implementation of 37 Java APIs in Android qualified as fair use. While Oracle licenses the use of Java in commercial products, Google argued that its implementation of the 37 APIs in question fell under fair use because it *transformed* the bits of Java it used into a unique product — the Android platform. The jury agreed with this argument in rejecting Oracle's claim for damages (Oracle has appealed)
- *Author's Guild v. Google*: The case arose from Google digitizing books for its Book Search service. In 2013, the trial judge granted summary judgment for Google. The court discussed each of the fair use factors, concluding that, as a whole, Google Book Search was a fair use. The court's decision emphasized, among other things, that copyright serves, and does not impede, the public interest.

Education as a Fair Use

- Informal guidelines have been developed to govern educational classroom use of copyrighted works. These guidelines are not binding on the courts but are persuasive.
- Guidelines and discussion are very specific and voluminous. In general:
    - Limit use of copyrighted publications to one copy per student;
    - Use on a short term basis and be prepared to show there was no time to get permission;
    - Use small reasonable amount of the work; and
    - Always provide copyright notice
- See Copyright Circular No. 21 for more details and discussion of the House and Senate reports (http://www.copyright.gov/circs/circ21.pdf)
- It is possible in most cases to obtain a license for research purposes

How to Determine the Copyright Status of a Work

- Before using a work that you did not create, the status of the copyrighted work should be determined
- Is there a copyright notice? (i.e., the © designation)
- Are there photo credits within the document?
- Is there a publisher or author listed?
- Contact museums, libraries, or archival institutions if necessary
- Contact agency or departmental legal counsel so that she may conduct a search at the U.S. Copyright Office

U.S. Copyright Office Search by Legal Counsel

- In order to submit a successful search to the U.S. Copyright Office, you will need:
  - Title of the work;
  - Names of authors;
  - Publisher or producer;
  - Approximate year of publication;
  - The type of work involved; and
  - If available, the registration number or any other copyright registration data.
- Limits on searches:
  - U.S. Copyright Office does not maintain any listings of works by subject or lists of works in the public domain
  - Individual works published as contribution to a periodical or collection are not listed separately
  - U.S. Copyright Office cannot express an opinion as to the contents or significance of a search report
- Good faith effort
  - If you are unable to locate the copyright holder, exhausting all "reasonable" possibilities, a good faith effort has been accomplished. A record of the investigation should be kept.

Transfer of Copyrights

A. Complete Transfer

- A copyright can only be transferred in a written instrument called an assignment [see 17 U.S.C. section 204(a)]
- In the case of independent contractors, the contractor owns the copyright UNLESS it is transferred in writing
- In California, this transfer may be in the form of an assignment (individuals) or a work for hire agreement (separate legal entities)
- A work for hire agreement in California can be problematic in the case of individuals or sole proprietorships because such an agreement may create an employment relationship for certain purposes
- The assignment should be notarized and must be filed with the US Copyright Office

Transfer of Copyrights

B. Partial Transfer

- License – Transfers a portion of a copyright interest and can be exclusive or non-exclusive and is accomplished by written contract language. A non-exclusive license can be implied by the conduct of the parties
- Any contract for services with a third party to produce creative works should consider whether the work qualifies as a work made for hire and the State of California should obtain a copyright assignment or license for appropriate use

“Moral Rights” in Copyright Law

- “Moral rights” are designed to enable someone to control how a creative work is used
- These rights include the right to attribution, the right to publish anonymously or pseudonymously, and the right to protect the integrity of the work
- In essence, these rights allow an author to prevent revision, alteration, or distortion of her work
- The Visual Artists Rights Act of 1990 (VARA) applies exclusively to visual arts and is the first federal copyright statute to grant “moral rights”. Examples of visual arts include advertisements, artwork applied to "useful articles", cartoons, dolls, toys, collages, paintings, games, puzzles, models, needlework, photographs, sculpture, stencils, and technical drawings.
- The California Resale Royalty Act (Civil Code section 986) entitles artists to a royalty payment upon the resale of their works of art under certain circumstances. If a laundry list of conditions are met, the artist is entitled to 5% of the resale price. However, recent federal district court decisions call into question the viability of this statute.
- The California Art Preservation Act of 1979 establishes legal protection for an artist’s moral rights. (See California Civil Code §987.) CAPA was the first major law to specifically address artists' rights in the United States.

Rights of Publicity and Privacy

- This set of rights are also known as personality rights
- The rights of publicity and privacy refer to the right of a person to control the commercial exploitation of her likeness, name, image or similar personal characteristics
- These rights allow a person to prevent the commercial use of her likeness, name or image without consent
- The rights of publicity and privacy are treated like property rights
- Even if a work is in the public domain, the rights of privacy and publicity may apply if the subject of the work is a recognizable person
- A model release agreement is highly recommended in these circumstances; agency or departmental legal counsel should be consulted about the preparation of such a release

What is a trademark?

A trademark is a symbol, word, logo, phrase or sound representing the Agency or the Department or its programs. It serves to distinguish the source of a good or service in order to prevent consumer confusion.

Examples of a trademark:

The Nike swoosh

The shape of the Coca-Cola bottle

Starbucks

Apple

Importance of Trademarks to Public Entities

- Trademarks and service marks can be vitally important to a state agency or department because a mark identifies the source of a product or service in the eyes of the public
- The unrestricted use of an agency or department mark by a third party can cause the governmental agency to be identified with the user of the mark, including whatever products or services that user markets
- This association between the governmental entity and the mark user will exist even if the product or service has a negative connotation with the public or the message conveyed by the user is not one with which the government wants to be associated
- These marks also may be misused to convince the public that they are dealing with an official government website when in actuality the site is a private one that may charge for what would otherwise be a free service
- Consequently, it should be against agency or department policy to permit the unrestricted use of governmental trademarks, service marks, logos, seals, or similar identifiers

Examples of Public Trademarks

Types of Trademarks

- Sounds

- Scents

- Words

- Colors

- Designs, including agency or departmental logos
- Trade dress, such as distinctive product packaging that serves to identify the source of the goods
- Fanciful marks receive the strongest level of protection (see TMEP section 1209 et seq.)
- Generic marks CANNOT be registered. Thus, "blue jeans" in reference to pants cannot be registered while "Jean's Blues" might be registrable in connection with a nightclub. Likewise, "car" cannot be registered for an automobile but may be subject to registration for a business called "Your Car Taxi Service"

Trademark Symbols

A trademark may be designated by the following symbols:

- ™ : trademark symbol relating to goods
- ℠ : service mark symbol relating to services
- ® : a symbol that provides notice that the preceding word or symbol is a trademark or service mark that has been registered with the United States Patent and Trademark Office (USPTO).

Goods are products such as, computers, food, and chairs/tables.

Services are activities performed to benefits others such as, computer rentals, catering, and party rentals.

Each time you use your mark, it is best to use a designation with it. If registered, use an ® after the mark. If not registered with the USPTO, use TM for goods or SM for services, to indicate that you have adopted this as a trademark or service mark.

Trademark Use and Protection

A trademark exclusively identifies the commercial source or origin of products or services and it is intended to protect consumers from confusion about the origin of goods or services (a service mark)

- Trademark protection requires current actual *use* of the trademark in commerce
- The date of first use establishes priority in the mark, even if not registered
- Trademark must be distinctive (identifies the source of a particular good/service)
- In the public entity context, "use" denotes utilizing a trademark or service mark for an authorized purpose in a visible, public manner, such as a departmental logo affixed to a state publication

Filing a Trademark with an "Intent to Use" Application

- Prior to registering a trademark, the owner must demonstrate that the mark has been used in commerce.
- The owner must also provide a specimen of use when submitting an application for registration to the USPTO.
- As an alternative, the USPTO has established a procedure for a mark owner to file an application for registration when there is only an intent to use the mark in commerce.
- An "intent to use" application means that the mark owner has a bona fide intention to use the mark in commerce in the future.
- An "intent to use" filing basis requires the submission of an additional form and the payment of additional fees prior to registration.

Duration of a Trademark or Service Mark

- A mark may potentially last forever if regularly used to identify goods or services in commerce and *if* the requisite maintenance fees are paid in a timely manner.
- *Use* is the key factor in determining how long a trademark will last.
- Marks that become generic over time, such as the words cellophane or aspirin, lose a specific connection with an originator with the result that trademark protection will be lost.

Advantages of Trademark Registration

- Registration with the U.S. Patent and Trademark Office (USPTO) gives a trademark or service mark holder nationwide protection for their mark.
- Conversely, a "common law" mark (i.e., an unregistered one) grants rights in a mark only in the area in which the holder is actually conducting business.
- It also is possible to reserve a mark ahead of time by filing an "intent to use" application.
- A mark holder can bring a trademark infringement action to prevent a "likelihood of confusion".
- An action to prevent "dilution" of the mark may also be available.
- Like copyright registration, registration of a trademark serves as public notice, evidence of ownership, and supports a claim for litigation costs and certain damages.

The Mechanics of Trademark Registration

- Trademarks in California can be registered with the federal USPTO, the California Secretary of State, or both.
- State trademark or service mark registration is typically much less expensive and takes much less time than does a federal registration (balance the need for protection within the state versus nationwide protection).
- Due to the speed of state registration, many mark owners seek state registration to have some protections while a federal application is pending.
- California Government Code section 6193 provides that state agencies and departments do not have to pay specified fees, including State of California trademark registration fees. ***Make sure to cite this statutory provision in any registration submitted to the California Secretary of State in order to obtain a fee waiver.***

Maintenance of a Federal Trademark Registration

- During Year 5-6: Must file a Declaration of Continuing Use or Excusable Nonuse.
- During Year 9-10: Must file a combined Declaration of Continuing Use and an Application for Renewal.
- There is a six month grace period for each of the timeframes stated above.
- Every 10 Years Thereafter: Must file a declaration of continuing use and an application for renewal.
- Specimens showing the current use of the mark must be included with these renewal filings.
- A failure to follow any of these steps will lead to the invalidation of the registration for the mark.

Patent Basics

- A patent grants an exclusive right to manufacture, produce, distribute, and license a unique invention, process, or design
- A patent is a property right that protects inventions and discoveries; a patent enables an owner to exclude others from making, using, selling, or importing the patented item
- To be patentable, an invention must be new, useful, and non-obvious from the prior art
- In 2012, the U.S. became a "first to file" jurisdiction in order to align its patent practices with the rest of the world. This change has prompted a "race to the USPTO" on the part of patent applicants. (See https://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/programs.)
- Given the many nuances of patent practice, it is imperative to consult agency or department legal counsel about any patent issues.

General Patent Types

- Utility patents – protects the operational aspects of an invention, such as machines, articles of manufacture, composition of matter, processes, and related improvements (see 35 U.S.C. section 101)
- Design patents – protects the way that an article looks, such as the Apple iPhone
- Plant patents
- Utility and plant patents typically are valid for 20 years from the application filing date while design patents are valid for 15 years from the date of grant

Examples of State of California Patents

Examples of Patentable Matters

- The design of a smart phone is subject to patent protection; indeed, infringement of the design of the Apple phone has been the subject of billion dollar litigation for more than the past decade
- Other examples of patentable matters include inventions and discoveries, new industrial or technical processes, improvements to existing industrial or technical processes, some business methods (very limited), or compositions of matter such as chemical compounds

What is *Not* Patentable

- Laws of nature, abstract ideas, and natural phenomena have been held by the courts to be unpatentable subject matter under federal statute (see the *Mayo*/*Alice* U.S. Supreme Court cases).
- These restrictions also apply to things like mathematical algorithms.
- The subject of the patentability of software is a rapidly evolving area of law with new judicial decisions on a near-weekly basis; guidelines are actively being promulgated by organizations with respect to this evolving issue.

Patent Maintenance

- The owner of a patent must pay maintenance fees at the 3.5, 7.5, and 11.5 year marks after the grant of the patent
- A failure to pay the requisite maintenance fees at the mandated intervals can lead to an invalidation of the patent
- In the U.S., a patent application must be filed within one year of the first public disclosure or the patent rights will be forever lost
- In most of the rest of the world, publicly disclosing an invention prior to filing a patent application will result in a loss of the patent rights

Trade Secret Protection

- Trade secret law protects confidential, proprietary business information that is not generally known to the public.
- A trade secret is a formula, pattern, compilation, program, device, method, technique, or process. (Civil Code section 3426.1)
- The owner of a trade secret must implement commercially reasonable steps to maintain the confidentiality of the information
- The information must have independent economic value arising from not being publicly known.
- Legal relief exists for the protection of trade secrets under various provisions of California law.

The Federal Defend Trade Secrets Act (DTSA)

- This law provides a federal civil remedy for misappropriation of trade secrets
- The DTSA allows ex parte seizure by federal law enforcement officials, which is a powerful tool to prevent the misappropriation of trade secrets
- The DTSA preserves state laws restricting restraints on employment by expressly stating that a federal injunction cannot conflict with applicable state laws governing restraints on the practice of a trade, profession or business
- The DTSA contains whistleblower protections for reporting trade secret misappropriation. An employer must provide notice of the whistleblower protections in its written policies or it may be precluded from receiving exemplary damages or attorney fees for willful misappropriation

California Agency and Department Protection of Trade Secrets

- Some materials, including security system schematics, software, and databases may constitute publicly-owned trade secrets if the requisite steps are undertaken to protect the information.
- The materials must derive independent economic value from not being generally known and the agency or department must take reasonable steps to protect the information from public disclosure.
- The California Public Records Act (CPRA) may require disclosure of some materials unless there is a specific exemption, such as is the case with software, or where the public interest in non-disclosure outweighs the public interest in disclosure. This "catch-all" exemption depends on the facts of each case and is very narrowly construed. (See Govt. Code section 6255.)
- The question of whether publicly-owned materials constitute a trade secret is s difficult one that should only be answered with the assistance of agency or department legal counsel.

Illegal Gifts of Public Funds

- Due to the legal significance of placing intellectual property in the public domain, an adequate written justification should be prepared in order to document the decision
- A failure to adequately justify placing state owned materials in the public domain may constitute an illegal gift of public funds in violation of the California Constitution
- Article XVI, section 6, of the California Constitution prohibits the making of "gifts" of public funds: "The Legislature shall have no power . . . to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever . . . ."
- However, it has long been recognized that the "gifts" prohibition of the Constitution does not apply where the expenditure, while incidentally beneficial to a private recipient, promotes a valid and substantial public purpose within the authorized mission of the public agency. "It is well settled . . . that expenditures of public funds or property which involve a benefit to private persons are not gifts within the meaning of [section 6 of article XVI] . . . if those funds are expended for a public purpose . . . ." (*California Emp. etc. Com. v. Payne* (1947) 31 Cal.2d 210, 216

Illegal Gifts of Public Funds –Cont.-

- In summary, the California Constitution prohibits a state agency or department from giving public money or anything of value to any entity when there is no authority or enforceable claim on which to base the transfer.
- The fundamental inquiry is whether the expenditure is to be used for a public or private purpose. (See, e.g., *Page v. MiraCosta Community College Dist.* (2009) 180 Cal.App.4th 471, 102 Cal.Rptr.3rd 902.)
- In the context of intellectual property rights, granting state-funded IP to a private contractor may well be deemed an illegal gift of public funds unless the transfer of rights is supported by a clear public purpose set forth in a detailed written justification.

Intellectual Property and the UCs

- AB 20 requires a *negotiated* resolution of intellectual property rights with the UCs and CSUs.
- Pursuant to statute, a state entity may permit a UC or CSU to retain intellectual property rights for a legitimate public purpose, including facilitating the transfer of technology into the marketplace for the public benefit. (See Govt. Code sections 13988 et seq.)
- In deciding whether to grant a UC or CSU rights to specific intellectual property, an agency or department must keep in mind the importance of the IP to the achievement of an agency's or department's mission, goals, and vision.

Intellectual Property and the California Public Records Act

- The California Public Records Act (CPRA) requires the disclosure of most publicly-generated records unless specifically exempted by statute. (See Govt. Code sections 6250 et seq.)
- The mere fact that a state agency or department may hold intellectual property rights to certain materials does not mean that the records are exempt from disclosure under the CPRA.
- However, the disclosure of a record pursuant to the CPRA does not mean that the disclosed materials are in the public domain or that they may be freely used by anyone for any purpose.
- The issue of when IP enters the public domain is a product of federal law and is not determined by a disclosure under the CPRA.
- In short, compliance with the legal obligations imposed by the CPRA does not override a state agency's or department's ownership of IP.

Intellectual Property Indemnification

- The right to indemnity arises from the legal concept that when someone has been compelled to pay damages caused by another, the innocent party should recover from the wrongdoer.
- Requiring indemnification of the state by a contractor helps protect against a contractor's misuse of another entity's IP rights.
- Indemnity places the financial responsibility for misuse on the infringing party (i.e., a contractor who improperly uses another's IP).
- Indemnification encourages state contractors to respect the IP rights of others while protecting the state from liability.
- Indemnification by a contractor also comports with established state policy of honoring the IP rights of others.

Check your knowledge...

1. A copyright protects:

   A) The facts contained in a work

   B) The method of expression used by an author

   C) An alphabetical listing of names in a telephone directory

   D) None of the above

2. An Intellectual Property Handbook created by a DGS employee during work hours and using DGS materials is owned by:

   A) The employee

   B) DGS

   C) A contractor

   D) The public

   E) None of the above

3. The person who creates an original work of authorship has exclusive rights to:

   A) Reproduce the work

   B) Display the work

   C) Prepare derivative works

   D) All of the above

4. A private contractor who prepares and original work in connection with a State of California contract is the owner of the work unless steps are taken to transfer ownership to the state agency or department.

   A) True

   B) False

Check your knowledge...

5. If the trademark is not registered yet, use the designation TM for goods or SM for services.

   A) True

   B) False

6. Trademark rights are based on use and not on registration.

   A) True

   B) False

7. 5. The ® symbol means the trademark has been registered by:

   A) The Agency/Department

   B) The USPTO

   C) The Legal Office

8. A patent may be obtained for an invention that is:

   A) New

   B) Useful

   C) Nonobvious from the prior art

   D) All of the above

9. Which of the following examples are types of inventions that are not patentable:

   A) Laws of nature

   B) Synthetic DNA

   C) Genetically modified plants

   D) None of the above

Check Your Knowledge...

10. In order to be subject to trade secret protection:

A) Confidential, proprietary business information must generally not be known to the public

B) The owner of the trade secret must adopt local standards in order to prevent disclosure of the information

C) Information that may be independently developed using public information

D) None of the above

11. The federal DTSA helps prevent misappropriation of trade secrets by:

A) Creating a federal cause of action

B) Establishing whistle blower protections

C) Authorizing exemplary damages and attorney fees for owners that have the appropriate written policies in place

D) All of the above

Legal Counsel

In the final analysis, intellectual property law contains many nuances and complications. ALWAYS make sure to consult agency or departmental legal counsel when there are any doubts about the appropriate course of action.

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- John Long – Wildlife
- Katie Belmonte – Public Health
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- Andrew Sturmfels – DGS
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