

... **IP Focus**



**A Word from the Practice Chair**

Welcome to Heyl Royster’s *IP Focus* newsletter. As we all attempt to cope with the constant changes facing innovation and intellectual property developments, the *IP Focus* newsletter will present timely issues which we hope will be of interest to you.

With our extensive knowledge of commercial and transactional law, we provide clients with a spectrum of wide-ranging, business-focused intellectual property services. We emphasize developing an understanding of each client’s unique business objectives, and we bring a pragmatic, cost-effective approach to all aspects of intellectual property matters. We are large enough to provide all needed services, yet, due to our office locations, are able to offer a great value compared to the “mega” firms. If you have a project where we can help, please feel free to contact me at (217) 522-8822 or [mkokal@heyloyster.com](mailto:mkokal@heyloyster.com).



Michael T. Kokal  
Intellectual Property Practice Chair

**E-Newsletter Available**

Would you like to receive the Heyl Royster *Intellectual Property Focus* Newsletter electronically? Just send an e-mail request to [newsletters@heyloyster.com](mailto:newsletters@heyloyster.com). You’ll be able to enjoy the most environmentally-friendly way of receiving our Intellectual Property news!

**Seven Steps to Determine Whether You Can Patent Your Invention**

By: Michael Kokal, [mkokal@heyloyster.com](mailto:mkokal@heyloyster.com)

**1. An idea is not enough.**

Generally speaking, you don’t have to have a working prototype to apply for a patent, but in your patent application you will have to be able to describe the invention in detail and show how it will work. You will have to describe how the invention is constructed by one ordinarily skilled in your field.

**2. Do you have the right subject matter?**

Not all ideas are subject to patent protection. If you file a patent, the patent office recognizes three different types of patents: Utility Patents, Design Patents, and Plant Patents. These are described as follows:

**Utility Patents** – The United States Patent and Trademark Office (USPTO) will grant a utility patent to an inventor who discovers any new or useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement of the same. An invention meets the requirement for utility under U.S. law if it provides some benefit and is capable of use, although most inventions will be able to meet this requirement;

**Design Patents** – A design patent may be granted to an inventor who invents a new, original and ornamental design for an article of manufacture; or

**Plant Patents** – Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of a plant.

**3. Are you patenting an invention of your own?**

A patent can only be applied for in the name of the actual inventor or co-inventor of the invention. It is not enough to have made a financial contribution to the product to be considered an inventor.

**4. Has your idea already been patented?**

Your invention must be “novel” in order to be eligible for patent protection. This means that the subject matter of the patent must not have been disclosed prior to the date of the invention. For example, if the invention has been previously made public, sold, or made available to use, or

was disclosed in a prior application, the patent office may very well determine that your invention is not “novel.”

### **5. Is your idea or invention “non-obvious”?**

Your invention must be “non-obvious” in order to be eligible for a patent. Here, the patent office will look to determine whether your invention is easily understood to a “person having an ordinary skill in the art” in which the patent is intended. In other words, your invention may not be something that your industry already knows about. In order to make this determination, the patent office will look at the scope and content of existing knowledge and technology in your industry and the difference between your claimed invention and what’s already known in the industry.

### **6. Is your invention a new and useful invention?**

For “utility” patents your invention must also describe new and “useful” process, machine or composition of matter. In other words, the patent office requires that the patent provide “utility.” If an invention is unmarketable, or useless to the public, there is no need to patent the item.

### **7. Were you the first to file for the patent?**

In the past, the patent office granted a patent to the first inventor to invent a new invention. That is no longer true. As of 2013, Congress passed a law that grants a patent for the inventor who is the “first to file” for the patent. In other words, if you fail to patent your invention and someone else files for a patent for the same idea, you may be legally prohibited from taking advantage of your invention.

If your new idea meets each of these requirements, then it may be time to speak with a patent attorney about filing for a patent to protect your invention. At Heyl Royster, we would be happy to assist you in this endeavor – please contact any of our attorneys in our Intellectual Property Practice for assistance.

## **Covering Your Assets: Small Business & Taking Advantage of the Evolution of Trade Secret Protection**

By: Robert Tenney, [rtenney@heyloyroyster.com](mailto:rtenney@heyloyroyster.com)

Trade secrets may be the most lucrative asset a small business possesses. Small businesses, defined as employing less than 500 employees, make up the vast number of businesses in Illinois. According to the 2018 Small Business Profile of Illinois, published by the U.S. Small Business Administration, small businesses composed 99.6% of Illinois businesses, employing 45.5% of all employees in Illinois. With 1.2 million small businesses within Illinois, competition is fierce and any economic advantage must be utilized.

Small businesses tend to depend on a few large clients that return for their product on an ongoing basis. After a long business relationship, the real value is no longer in the physical product. The real source of a small business’s profits lies within the information and data they have collected about their clients and their clients’ employees. The service provided has changed from one of physical product to a service of satisfying preferences.

The information and data the small business has collected is their property. Where does the small business store the information? Traditionally, paper files might have been utilized, or maybe one manager would be dedicated to the client. With the rise in technology, all this data can easily be compiled and saved where any employee can use the data. But as with all property, it must be protected. The data is not eligible for patent protection as patents are, for simplicity’s sake, reserved for inventions. Trademarks are for items such as logos and company names, amongst others, something that will help identify your business amongst the millions in Illinois. Copyright is for written materials, and information kept on computers is eligible. But copyright almost naturally involves publishing or sharing the writing, which is exactly what you do not want to do. What is left? Trade secrets.

Historically, trade secrets have been protected according to state common law or state statutory protection. Trade secrets have not been considered to be included in the more traditional, constitutionally protected intellectual property group of copyrights, trademarks, and patents. Determination of what constitutes a trade secret is highly fact dependent. There is no cookie cutter definition of a trade secret even though there are recognized genres and types of trade secrets. Relevant facts include what the information actually is, how readily obtainable it is, how easily it can be found in the public domain, why it is kept secret, what protections are in place, whether or not it is known by employees/other accessors, and how people are prevented from obtaining or divulging the information.

Customer data and preferences, pricing data, data analysis of market and sales trends, production techniques, software, vendor analysis, and many other tangible and non-tangible properties are potentially eligible for protection under the trade secret statutes. Protection is an increasingly difficult proposition in today's interconnected world. Employees have access to cell phones, whether personal or employer-provided, and computers are necessary in a vast majority of positions and businesses. The creation of, and increasing use of, cloud computing for storage also makes keeping trade secrets secure more difficult.

Trade secrets are protected due to their economic power, which is derived from the value of the secret itself. As long as the information is secret it provides value. Once that information stops being secret it loses its value, everybody knows the information, and now anyone can use it. The protection of the trade secret is extremely important. Using passwords for computers and documents, locks and keys for filing cabinets and offices, confidentiality agreements within employee contracts, and other protective measures are required.

The Illinois Trade Secrets Act (ITSA), 765 ILCS 1065/1, is based on the Uniform Trade Secrets Act, similar to the vast majority of states. The Act allows a civil suit to be filed to prevent disclosure of trade secrets and to recover damages for any unauthorized disclosures. In Illinois, a trade secret is, in a very general sense, information that has economic value, at least partially from being secret, that a business attempts to keep secret. This information may contain processes or mechanical designs that would be eligible for a patent, however applying for a patent necessarily publishes the information, defeating the secrecy of the information. Recognizing the rise in technological economic espionage and in an effort to unify the disparate trade secret laws, the federal government passed the Defend Trade Secrets Act (the DTSA), 18 U.S.C. 1836, in 2016, giving Illinois businesses the ability to file claims in federal court utilizing a federal statute, in addition to their state claims.

Federal district courts appear to be interpreting the DTSA in similar fashion to the state trade secret laws rather than as a law with new definitions and requirements. However, there is one remedy within the DTSA that is generally not included within state law, possible civil seizure of property involved in the claims. A plaintiff can file a verified complaint or affidavit to obtain an *ex parte*, or one party, hearing in front of the judge asking for seizure of any property necessary to prevent further dissemination of the claimed trade secret. This is a powerful tool, and as such has strict requirements imposed upon the plaintiff and judge in order to utilize the civil seizure power. Federal judges have been reluctant to utilize the seizure power, opting to use the more traditional temporary restraining order instead, such as in *Magnesita Refractories Co. v. Mishra*, 2:16-CV-524-PPS-JEM, 2017 U.S. Dist. LEXIS 10204 (N.D. Ind. Jan. 25, 2017). The court in *Magnesita* held a hearing for both a civil seizure and a

temporary restraining order and determined that a temporary restraining order would be sufficient to prevent further use or dissemination of the alleged trade secrets. A New York court granted a seizure request in *Mission Capital Advisors, LLC v. Romaka*, No. 16-civ-5878 (S.D.N.Y. July 29, 2016), but only after the defendant violated a prior issued temporary restraining order.

The requirements for a temporary restraining order are: (1) a showing of some likelihood of success of the underlying suit based upon the merit of the allegations, (2) there is no adequate remedy at law, and (3) that irreparable injury will occur without the temporary restraining order. Restraining orders are seen as a drastic resort and are not granted without clear and convincing evidence. Because these temporary restraining orders are difficult to achieve, the simplest and most cost-effective method to prevent unauthorized access or use is to protect the trade secret adequately. Passwords, locked safes, minimal access, and similar measures are among the best protections for trade secrets. Each trade secret may have need of specialized protection. A recipe, for example, that is written on a 3x5 notecard obviously has no use for a password. A locked safe might be appropriate. In contrast, a program that has been developed by a business to analyze specific sets of data to obtain market predictions would not be protected by a locked safe due to its nature as a digital program. Password protection might be necessary and perhaps more protection as well. The DTSA does not specify what protection is acceptable for what type of secret, nor does it define what is considered protection.

The DTSA does not provide additional protection, it merely provides additional remedies and the ability to use the Federal court system to obtain a remedy for an alleged misappropriation of a trade secret. The traditional requirements concerning trade secrets are still applicable and must still be considered by small businesses. If you are unsure about your protection, consult a lawyer to ensure that your business is protected.



HEYL...  
ROYSTER

**Visit our website at  
[www.heyloyster.com](http://www.heyloyster.com)**

## Using AI Technology to Extract/Analyze Information in Legal Contracts

By: Michael Kokal, mkokal@heyloyster.com

Law firms and corporate legal departments face challenges arising from the sheer number of contracts they must keep track of, organize, and update. Many firms don't have a database of all the information in their contracts, not to mention an efficient way to extract and review relevant data. However, new AI technology, which uses a combination of natural language processing (NLP) and machine learning, offer potentially new and exciting tools to extract and analyze data quickly.

The possible applications of this technology are vast. Take the case of the ubiquitous non-disclosure agreement (NDA). For most business people, the NDA is very much a standard document. However, there are pitfalls in the fine print that many people don't take the time to read. Moreover, the business person might not have time to "go back to legal" to have an NDA reviewed if time is of the essence for completing a deal. In this scenario, companies are developing programs that use machine learning and NLP to assist the business person in quickly reviewing a contract. These new software protocols will ultimately inform the business person that the document is "ok to sign," or identify the areas that need to be re-negotiated, or whether ultimately the document needs to be reviewed by a lawyer because of draconian terms.

As an example, the non-disclosure agreement will contain a certain "term" length. However, there may be a standard "term" that is the custom and practice in the industry or in your geographic area. If the non-disclosure agreement contains a term in excess of this standard, the AI software should quickly identify and flag the provision and advise the business person not to sign, and further advise them of "customs and practices" in the industry assuming these can be identified by the programmer.

Another example of the NDA in the tech space is the "residuals clause." The clause, in some ways, can be tantamount to a "back-door IP license." Software programs could identify the existence of a residuals clause in an agreement and inform the business person that they either have to remove it, which might be a common suggestion, or, perhaps, sign the clause, but with restrictions. In any event, it could put both of the parties on notice as to the existence of the clause in order that an agreement on the scope could be quickly negotiated.

Further examples are endless. Indemnification clauses could be analyzed to provide notification when a certain cap is reached. Insurance agreements could also be pre-programmed. What is clear is that AI in the legal space will only be increasing in the future. Savvy attorneys who

know how to draft an AI contract for an AI audience would distinguish themselves from their competition and demonstrate value to their clients, not only in their legal acumen, but in their ability to anticipate client's business needs and interfacing with these various programs.



Heyl Royster is a regional Midwest law firm with more than 120 lawyers and seven offices located in Illinois (Peoria, Champaign, Chicago, Edwardsville, Rockford, and Springfield) and Missouri (St. Louis).

The firm provides legal services for businesses and corporations, professionals, healthcare organizations, governmental entities, universities, insurance carriers, and other major institutions. Heyl Royster lawyers have successfully defended clients in all of the federal courts and in each of the 102 counties in the State of Illinois, as well as in courtrooms in Indiana, Iowa, Missouri and Wisconsin.

Our attorneys also counsel clients on all aspects of business life. Through our lawyers' participation in bar and industry activities, we identify and help develop trends in the law which we believe will be of benefit to our clients.

HEYL...  
ROYSTER

[WWW.HEYLROYSSTER.COM](http://WWW.HEYLROYSSTER.COM)

Champaign • Chicago • Edwardsville  
Peoria • Rockford • Springfield • St. Louis