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Intellectual Property and Domestic Relations: Issues to Consider

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INTELLECTUAL PROPERTY AND DOMESTIC RELATIONS: ISSUES TO CONSIDER

By Ann Bartow

Intellectual property (IP) is a term that denotes intangible yet legally protected products of human creativity. The main types of IP include patents, copyrights, and trademarks. This article provides an overview of the special IP issues that can arise in the contexts of divorce, estate planning, or probate.

Patents. There are three types of patents: design, plant, and utility. Subject to the provisions of the Patent Act, patents have the attributes of personal property and give the holder the right to exclude others from use of the patented invention for a limited period of time. A utility patent, for example, gives its owner exclusive rights to an idea. Competitors may be able to offer similar products or processes, but they cannot make or use a patented invention without being vulnerable to legal action by the patent owner.

Joint ownership applies when more than one person has been involved with an invention. This means each joint owner has the right to make, use, or sell the invention without the consent of, and without accounting to, the other owners. A corporation cannot claim to be an inventor, even if its employees created the patented item as part of their job. However, most corporations require their employees to sign "pre-invention assignment agreements" that require turning over to the employer the patent rights of anything they invent.

If a patent is an asset that is at issue in the context of a divorce or probate, valuation can be an enormous challenge. If the patent has been exclusively licensed to others, royalties for the term of the license are a good starting place. However, there is always the possibility that a patent will be declared invalid, in which case the patent would immediately lose all of its monetary value. If a patent is licensed on a nonexclusive basis, again, license royalties are a starting place for valuation purposes, so long as careful attention is paid to the terms of these licenses.

Copyrights. Copyright protection is available for original literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished, including compilations of facts or preexisting works. The author of a copyrightable work also owns the copyright in the work unless the author has contracted otherwise. The one exception to this rule occurs again in the context of employment: If the creator of the work is an employee, the employer may be deemed the author of the pertinent copyright through operation of the work for hire doctrine. Copyright laws protect creative expression only and do not provide exclusive rights with respect to facts or information.

A copyright owner has a range of exclusive rights, including rights to reproduce the work, distribute copies of the work, perform or display the work publicly, and make derivative works based on the copyrighted work. The copyright owner can choose to exercise these exclusive rights herself, to license some or all of these rights to others, or to transfer ownership of the copyright altogether.

Copyright protection does not provide an absolute monopoly. The doctrine of fair use allows entities to make fair use of someone else's copyrighted work under certain circumstances: if the use is scholarly, for news reports, for review or criticism, or for many other reasons as long as the use is deemed fair and reasonable.

The Copyright Act specifically states that "ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession." The various exclusive rights a copyright represents are divisible as well. The laws provide an escape valve for copyright authors who have sold or licensed away the copyright before the full value of the work became apparent—unless the work was a work made for hire.

Copyright authors have an unwaiveable right to terminate copyright licenses and transfers during a five-year window between the 35th and 40th years from the date of execution of the grant. If an author dies prior to vesting of her termination rights, termination interests are owned by the author's spouse, children, and grandchildren if applicable, and by executors, administrators, or trustees if not.

An author is barred by the statutory allocation scheme from quantitatively redistributing termination interests among statutory heirs. If the copyright holder had living chil-
dren or grandchildren, the surviving spouse is given a half interest and the remaining votes are distributed per stirpes among children and grandchildren. If only two statutory heirs exist, each can frustrate the other’s wishes. With three or more statutory heirs, one child must agree with the holder’s surviving spouse for a termination to go forward and also agree to relicense or reassign the copyright once the termination has been effectuated.

**Trademarks.** A trademark is a word, short phrase, symbol, picture, design, or other feature used in trade in conjunction with specific goods to indicate the source of the goods and distinguish them from the commercial offerings of competitors. Trademarks need not be creative or useful in and of themselves, but they must perform an identifying function with respect to goods in commerce.

Trademarks can be owned and/or federally registered by individuals, partnerships, corporations, or other organizations. Trademark owners have the right and ability under trademark law to prevent others from using confusingly similar marks. However, trademark rights do not provide any right of exclusivity with respect to the underlying products and services that are identified by the marks. Trademarks do not protect the outcomes of creative undertakings and thus are not substitutes for or alternatives to copyrights or patents. However, copyrightable or patentable designs that serve commercial source-identifying functions can be registered as trademarks or can serve as protected trade dress.

Trademark rights are secured by using the mark in commerce or by filing an application to register the mark and asserting a bona fide intention to use the mark in commerce. Federal registration is not required to begin use of a mark, nor is acquiring rights in a mark, but these provide trademark owners with a host of significant advantages. Holders of federally registered marks are the presumptive owners of the marks on a nationwide basis and can use the machinery of the federal court system to defend their trademark rights.

**Right of publicity.** The right of publicity protects individuals from misappropriation of their names and likenesses and has been judicially extended to nicknames, signature, physical poses, characterization, performance styles, vocal characteristics, frequently used phrases, mottos, and body parts, provided they are distinctive and publicly identified with the pertinent individual. Personal attributes of the famous or notorious are treated as business attributes. Most states recognize some form of the right of publicity, and such rights are generally descendable. Additionally, a few courts have found celebrity to be divisible property in the context of a divorce.

**Trade secrets.** A trade secret is information (including a formula, pattern, compilation, program, device, method, technique, or process) used in commerce that gives its owner an opportunity to obtain an advantage over competitors. Trade secret protections are creatures of common law, but many states have adopted some formulation of the Uniform Trade Secrets Act. As a result, trade secret owners who take reasonable precautions to protect the confidentiality of their trade secrets generally have tort-based causes of action against parties that misappropriate the trade secrets or gain access to them by improper means.

A trade secret generally is construed as a business asset. Because they are intangible, valuing them can pose the same sorts of challenges and uncertainties that appraising goodwill or reputation might. They are also—and by definition—unique, so valuation also raises the complexities inherent in assessing one-of-a-kind property.

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Because trade secrets lose their value (and, in fact, cease to exist) if they are publicly revealed, there is little to compare them with to ascertain monetary value.