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# CORPORATION, SECURITIES & BUSINESS LAW FORUM

*The newsletter of the ISBA's Section on Corporation, Securities & Business Law*

## Remarks from the Chair

*By William A. Price, Chairman, Section Council; Corporation, Securities and Business Law, 2007-08; wpriceit@yahoo.com*

### New Ideas For Business Laws

Illinois often follows the work of the National Conference of Commissioners on Uniform State Laws (NCCUSL) (Web site [www.nccusl.org](http://www.nccusl.org)) in considering whether we need new laws to simplify and codify rules for corporation, business, and securities issues. That body's work is usually reviewed in detail by organizations like the Institute for Illinois Business Laws, and discussed and revised prior to Illinois final drafting and possible legislative adoption by our Section Council, Section of Corporation, Securities, and Business Law.

NCCUSL has been active in 2006 and 2007. They have released for state legislative consideration a new Uniform Limited Cooperative Association

Act (NCCUSL 2007), and a Revised Uniform Limited Liability Company Act (Revised ULLCA) (NCCUSL 2006). Other recent drafts released for state consideration include an Entity Transactions Act, a Uniform Securities Act, and a Uniform Trust Code.

NCCUSL drafting and study committees are active on a variety of additional areas of interest to Illinois business lawyers. These include new (2007) drafting committees on a Record Owners of Business Act, a to Revise the Uniform Division of Income for Tax Purposes Act, and a Committee on the Regulation of Charities. Other more established NCCUSL committees are well on the way to production of approved drafts for laws on a Business Organizations Act, on Model Registered Agents Act and Amendments to Entity

Acts to Rationalize Annual Filings, on a Uniform Statutory Trust Entity Act, on a Unincorporated Entity enactment, and as a Project to Create a Harmonized Legal Framework for Unincorporated Nonprofit Associations in North America.

All Section members are invited to examine the various uniform acts released for state adoption and under consideration in NCCUSL committees, and to comment on which, if any, would be helpful to you and to your clients if adopted in Illinois. You can reach me with your comments at [wprice@growthlaw.com](mailto:wprice@growthlaw.com).

Bill Price, 2007-08 Chairman  
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Law

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## A look at the Illinois Employee Classification Act

*By Markus May; Johnson, Westra, Broecker, Whittaker & Newitt, P.C.; Carol Stream, IL*

The Illinois Employee Classification Act ("Act") became effective on January 1, 2008. 820 ILCS 185/1 et.seq. In order to get your attention, let's look at the draconian and overly harsh penalties for violation of the Act. First, there is a civil penalty of up to \$1,500 for each

violation of the Act which is found in an audit by the Department of Labor. Id. at 185/40. This steps up to \$2,500 for subsequent audits. Id. Each day a violation continues constitute a separate and distinct violation. Id. Further, in any civil action brought by an interested party under Section 40, the court

is required to award the interested party 10% of the amount recovered – essentially a bounty for pursuing violators. Id. Second, if there is more than one violation, no state contract is allowed to be awarded to the violator for five years. Id. at 185/42. Third, anyone who “willfully” violates the Act is liable for (a) penalties up to double the statutory amount; (b) punitive damage equal to the penalties in (a); and (c) commits a Class C misdemeanor and on a second violation a Class 4 penalty. Id. at 185/45. Fourth, an “interested party” or person aggrieved by a violation of the Act may file suit in circuit court and “is entitled to collect” (1) the amount of wages and salary and other benefits lost by reason of the violation plus an equal amount in liquidated damages; (2) compensatory damages and an amount of \$500 for each violation of the Act (remember each day is a separate violation); and (3) attorney fees and costs. Id. at 185/60.

Therefore, if one of your clients hires a worker for \$10 an hour to help renovate a kitchen for 10 days, but does not hire him as an employee, the following penalties apply to your client:

1. a fine of \$15,000
2. If he knew of the Act and “willfully” violated it, penalties of an additional \$15,000, plus punitive damages of another \$15,000
3. a Class C misdemeanor
4. a smaller amount of money for not providing social security benefits and perhaps vacation pay
5. liquidated damages in the amount awarded under number 4 above
6. \$5,000 as compensatory damages
7. payment of all attorneys fees and costs

This equates to over \$50,000 in damages and penalties and a criminal record for hiring someone to help renovate a kitchen!

So now that I have your attention, let’s see who the Act affects. The Act significantly affects anyone in the construction industry. The very expansive definition of “Construction” includes “any constructing, altering, reconstructing, repairing, rehabilitating, refinishing, refurbishing, remodeling, remediating, renovating, custom fabricating, maintenance, landscaping, improving, wrecking, painting, decorating, demolishing, and adding to or subtracting from any building, structure, highway, roadway, street, bridge, alley, sewer, ditch, sew-

age disposal plant, water works, parking facility, railroad, excavation or other structure, project, development, real property or improvement, or to do any part thereof, whether or not the performance of the work herein described involves the addition to, or fabrication into, any structure, project, development, real property or improvement herein described of any material or article of merchandise. Construction shall also include moving construction related materials on the job site to or from the job site.” This means that all truckers moving construction related materials to a job site will be covered under the Act as well as all contractors and subcontractors in the construction industry. Id. at 185/5.

The Act provides that any individual performing services for a contractor (which is defined as any entity which engages in construction) is deemed to be an employee, and not an independent contractor, of the contractor absent very limited circumstances. Id. at 185/5 and 10. It is a violation of the Act for an employee or entity not to designate an individual as an employee unless the following limited circumstances are met.

- (b) An individual performing services for a contractor is deemed to be an employee of the contractor unless it is shown that:
  - (1) the individual has been and will continue to be free from control or direction over the performance of the service for the contractor, both under the individual’s contract of service and in fact;
  - (2) the service performed by the individual is outside the usual course of services performed by the contractor; and
  - (3) the individual is engaged in an independently established trade, occupation, profession or business; or
  - (4) the individual is deemed a legitimate sole proprietor or partnership under subsection (c) of this Section.

Id. at 185/10 and 20.  
In order to be deemed a legitimate

sole proprietor or partnership, the following twelve factors must all be met under subsection (c):

The sole proprietor or partnership performing services for a contractor as a subcontractor is deemed legitimate if the sole proprietor or partnership:

- (1) performing the service free from the direction or control over the means and manner of providing the service, subject only to the right of the contractor for whom the service is provided to specify the desired result;
- (2) is not subject to cancellation or destruction upon severance of the relationship with the contractor;
- (3) has a substantial investment of capital in the sole proprietorship or partnership beyond ordinary tools and equipment and a personal vehicle;
- (4) owns the capital goods and gains the profits and bears the losses of the sole proprietorship or partnership;
- (5) makes its services available to the general public or the business community on a continuing basis;
- (6) includes services rendered on a Federal Income Tax Schedule as an independent business or profession;
- (7) performs services for the contractor under the sole proprietorship’s or partnership’s name;
- (8) obtains and pays for the license or permit in the sole proprietorship’s or partnership’s name when the services being provided require a license or permit;
- (9) furnishes the tools and equipment necessary to provide the service;
- (10) if applicable, hires its own employees without contractor approval, pays the employees without reimbursement from the contractor and reports the employees’ income to the Internal Revenue Service;

- (11) is not represented as an employee by the contractor to its customers; and
- (12) has the right to perform similar services for others on whatever basis and whenever it chooses.

Id. at 185/10.

These factors are very difficult to meet and more stringent than the normal independent contractor/employee classification law. Finally, if an entity hires someone who is not classified as an employee, a notice in English, Spanish, and Polish which summarizes the requirements of the Act must be posted on each job site and in each office. Merely not posting the notice is a violation that could subject a contractor to the above damages.

So who would bring an action under the Act? As they pushed for the legislation, it is anticipated labor unions will argue they are an "interested party" under the Act. Therefore unions will likely bring actions against the larger non-union contractors and urge the Department of Labor to pursue regulatory action. The Department of Labor has a great incentive to pursue these actions as it will be able to retain the penalties in a separate fund. Further, every "independent contractor" that should be deemed an employee under the Act now has a private cause of action. This private cause of action can not be waived as there is no waiver of any provision of the Act. Id. at 185/70. In fact, it is a Class C misdemeanor for an employer to attempt to induce an individual to waive any provision of the Act. Id.

If a contractor hires an individual as an independent contractor to work on

a home for nine months, and the individual does not meet the statutory definition of a "legitimate sole proprietor" the potential damages are staggering. Assuming the person worked for 200 days, the person would be entitled to receive \$100,000 in a private cause of action plus all attorneys fees and two times any actual damages. This is a big incentive for anyone to sue.

So what is a "construction" contractor to do? If a contractor wishes to hire an individual "independent contractor" who will be subject to the contractor's control, the contractor would need to ensure the individual meets the above 12 factor test. The amount of due diligence to ensure these factors are all met is too burdensome to be performed in the normal course of business. Basically the safest and most prudent thing a contractor can do is only hire "employees" or enter into contracts with entities other than individuals.

As the Act begins to be enforced, there will be a large outcry as the actual economic impact of the Act is felt throughout the Illinois construction industry. However, it will take either a change in the law or court action invalidating the law before anything changes. Therefore it is anticipated the number of corporation and limited liability company filings will greatly increase as contractors require individuals who were previously hired as independent contractors to create a separate legal entity. The contractors will then sign contracts with the individual companies to perform services on behalf of the contractor. The Act is definitely one law to keep your eye on and to notify your clients about.

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# Business entity selection at a glance

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	Sole Proprietorship	General Partnership	S Corporation	C Corporation	Limited Liability Company	Single Member Limited Liability Company
<b>Liability (Limited v. Personal)</b>	An individual carrying on a business for profit. <sup>1</sup>	Two or more co-owners carrying on a business for profit. <sup>7</sup>	Limited liability for shareholders even if they participate in management. <sup>13</sup>	Limited liability for shareholders even if they participate in management. <sup>18</sup>	Combines limited liability provided by a corporation with pass through partnership tax treatment. <sup>22</sup>	Limited liability for owners makes it a better choice than sole proprietorship unless cost of formation or maintenance is the controlling factor. <sup>28</sup>
	Unlimited personal liability for the owner. <sup>2</sup>	Partners have unlimited personal liability for partnership debts. <sup>8</sup>				
<b>Tax Implications</b>	Single level of income tax. <sup>3</sup>	Pass through tax treatment (partnership files form 1065 but all income and expenses reported on Schedule C of the owner's 1040. <sup>4</sup>	Pass through tax treatment under most circumstances but not as complete as for the LLC. <sup>14</sup>	Tax at both corporate and shareholder level - this double tax can be avoided to some extent by payment of reasonable salaries to shareholders in exchange for services actually rendered. <sup>19</sup>	LLC files a partnership tax return (form 1065) with all income and expenses being passed through to individual owners of the LLC on a K-1. <sup>23</sup>	Disregarded entity from an income tax perspective - all income and expenses are reported on the sole member's tax return and no income tax return need be filed by the LLC. <sup>29</sup>
	All income and expenses reported on Schedule C of the owner's 1040. <sup>4</sup>	Partnership files form 1065 but all income and expenses pass through to individual partners on Schedule K-1. <sup>9</sup>	Formation steps include filing Articles of Incorporation with the Secretary of State, filing Sub S election with the IRS, adoption of Bylaws and, usually, adoption of a Shareholder (buy-sell) Agreement. <sup>15</sup>	Formation similar to S corp except Sub S election not filed with IRS. <sup>20</sup>	LLC files a partnership tax return (form 1065) with all income and expenses being passed through to individual owners of the LLC on a K-1. <sup>23</sup>	Disregarded entity from an income tax perspective - all income and expenses are reported on the sole member's tax return and no income tax return need be filed by the LLC. <sup>29</sup>
<b>Complexity of Formation and Management</b>	Relatively simple to start.	Relatively easy to start – written partnership agreement is typically entered into but is not legally required. <sup>10</sup>	Formation steps include filing Articles of Incorporation with the Secretary of State, filing Sub S election with the IRS, adoption of Bylaws and, usually, adoption of a Shareholder (buy-sell) Agreement. <sup>15</sup>	Formation similar to S corp except Sub S election not filed with IRS. <sup>20</sup>	Formation steps include filing articles of organization with the Secretary of State, contributing an appropriate amount of capital, and adopting an operating agreement. <sup>24</sup>	Formation process similar to multiple-member LLC except that the operating agreement will likely be less complex. <sup>30</sup>
	If business conducted other than under the name of the sole proprietor, assumed name publication needed. <sup>5</sup>	Managed by the partners or as described in the partnership agreement. <sup>11</sup>	Bylaws and, usually, adoption of a Shareholder (buy-sell) Agreement. <sup>15</sup>	Typically required for publicly traded corporations, businesses that require venture capital, or if a broad based stock option program is utilized.	Can be managed by the members or, more often, by managers selected by the members. Can also elect officers. <sup>25</sup>	In addition to circumstances where a sole proprietorship would be considered, a single-member LLC is often used by a corporation or LLC as a subsidiary to insulate the liability associated with a particular line of business.
	Managed by the sole proprietor. <sup>6</sup>	Problem: Any partner can bind the partnership. <sup>12</sup>			Self-employment tax treatment may be less favorable than for S corp. <sup>26</sup>	
<b>Capital - Effect on Ability to Raise Capital through Angel Investment, VC or IPO</b>	Any transfer of the business would be of the underlying assets as opposed to a transfer of shares in the business. Capital needs - addressed through loan to sole proprietor.	Ability to raise capital is limited since most investors would prefer to invest in an entity offering limited liability.	Limit of 100 shareholders, only one class of stock is allowed, difference in voting rights is allowed, partnerships and corporations cannot be shareholders, only U.S. citizens and residents may be shareholders. <sup>16</sup>	No limits on type or number of shareholders, different classes of stock allowed (common and preferred) thus enabling different priority for return of capital. <sup>21</sup>	No limitation on the number of members, no limitation on who may invest, treatment of gain on distribution of appreciated property more favorable, different classes of ownership are allowed so there is the flexibility to provide for a priority return of capital to investors. <sup>27</sup>	Outside equity investment allowed only if converted to a multi-member LLC.
	Capital needs - addressed through loan to sole proprietor.	LLC is almost always the better choice if partnership tax treatment is the goal.	Is easier to convert S corp to C corp than it is LLC to C corp in event venture capital is sought. <sup>17</sup>	If venture capital is being sought, incorporation should generally be in the state of Delaware.	Often used to own commercial real estate.	

# Intellectual property protection at a glance

By Alan R. Singleton; Singleton Law Firm, P.C.; [www.singleton.law.pro](http://www.singleton.law.pro); [singleton@singleton.law.pro](mailto:singleton@singleton.law.pro)

	Patents	Trademarks	Copyrights	Trade Secrets
<b>Property protected</b>	Anything man-made that is new, useful, and non-obvious. <sup>31</sup>	Any distinct word, name, symbol, or device used to identify a source of goods or services. <sup>40</sup>	Original work of authorship fixed in a tangible medium of expression. <sup>51</sup>	Commercially valuable information not generally known or readily ascertainable, if reasonable efforts are used to keep it secret. <sup>61</sup>
	Not new if there is a commercial use, offer for sale, or public disclosure more than one year before a patent is applied for. <sup>32</sup>	Inherently distinctive if arbitrary, fanciful, or suggestive. <sup>41</sup>	Fixed if it is sufficiently permanent (written down, recorded, painted, saved electronically, etc.) <sup>52</sup>	Disclosure to one person without confidence may destroy a trade secret. <sup>62</sup>
	There is no one year grace period for foreign patents. <sup>33</sup>	Also distinctive if descriptive with acquired secondary meaning. <sup>42</sup>	Originality requires some amount of creativity by the author. <sup>53</sup>	More efforts required for more valuable secrets. <sup>63</sup>
<b>Registration</b>	U.S. Patent and Trademark Office. Application required. <sup>34</sup>	U.S. Patent and Trademark Office for federal protection. Secretary of State's office for state protection. Registration advised but not required. <sup>43</sup>	U.S. Copyright Office within the Library of Congress. Registration advised but not required. <sup>54</sup>	NONE.
<b>Rights</b>	Right to exclude others from making, using, selling, or offering for sale in U.S. or importing to U.S. <sup>35</sup>	Right to stop others from using confusingly similar marks in commerce. <sup>44</sup>	Exclusive right to reproduce, prepare derivative works, distribute, perform publicly, and display publicly. <sup>55</sup>	Right to keep others from improperly acquiring the trade secret or breaching confidence regarding the trade secret. Does not prevent reverse engineering. <sup>64</sup>
<b>Public Notes</b>	Pat. Pending. <sup>36</sup>	TM or SM if not registered with USPTO. <sup>45</sup>	"Copyright" or ©, year of first publication, author's name, e.g. © 2007 Joe Smith. <sup>56</sup>	Notice to show confidential nature to employees and anyone else with access to the information. <sup>65</sup>
	Pat. No. #####.37	® if registered with USPTO. <sup>46</sup>		
<b>Duration</b>	Generally, 20 years from the date of filing. <sup>38</sup>	Non-registered: No limit as long as you continually use it. <sup>47</sup>	Life of the author plus 70 years. <sup>57</sup>	No limit as long as it still qualifies as a trade secret. <sup>66</sup>
		Registered: No limit as long as you continually use it and file appropriate renewal papers. <sup>48</sup>	Work for hire: the earlier of 95 years from publication or 120 years from creation. <sup>58</sup>	
<b>Infringement</b>	Every claim limitation in the patent is found, literally or equivalently, in the accused device or method. <sup>39</sup>	Infringer's mark causes a likelihood of confusion with your mark. <sup>49</sup>	Infringer has copied your work without permission. <sup>59</sup>	Another has knowingly misappropriated your trade secret for his or her own gain or to harm you. <sup>67</sup>
		If your mark is famous, then you can also keep others from diluting or tarnishing your mark. <sup>50</sup>	Infringer's work is substantially similar to yours. <sup>60</sup>	

## Business Entity Selection At a Glance - Authorities

1. IRS Publication 583; IRS Publication 334; IRS Form Schedule C Instructions.
2. *Georgantas v. Country Mutual Ins. Co.*, 520 N.E.2d 870, 873 (Ill. App. Ct. 1991); IRS Publication 583.
3. Treas. Reg. § 301.7701-2(c).
4. IRS Publication 334.
5. 805 Ill. Comp. Stat. 405/1.
6. *Georgantas v. Country Mutual Ins. Co.*, 520 N.E.2d 870, 873 (Ill. App. Ct. 1991); IRS Publication 583.
7. 805 Ill. Comp. Stat. 206/101(f).
8. 805 Ill. Comp. Stat. 206/305, 306.
9. 26 U.S.C. § 701; IRS Publication 541; IRS Form 1065 Instructions.

10. 805 Ill. Comp. Stat. 206/202.
11. 805 Ill. Comp. Stat. 206/401(f).
12. 805 Ill. Comp. Stat. 206/301.
13. 805 Ill. Comp. Stat. 5/6.40.
14. 26 U.S.C. § 1363(b) cf. 26 U.S.C. § 701.
15. 805 Ill. Comp. Stat. 5/2.05-2.35; 26 U.S.C. § 1362(a).
16. 26 U.S.C. §§ 1361(b), 1371(a).
17. Compare 26 U.S.C. § 1362(d) with 805 Ill. Comp. Stat. 180/37-20.
18. 805 Ill. Comp. Stat. 5/6.40.
19. 26 U.S.C. §§ 1, 11, 162(a)(1).
20. 805 Ill. Comp. Stat. 5/2.05-2.35.
21. 805 Ill. Comp. Stat. 5/2.10, 6.05, 6.10.
22. 805 Ill. Comp. Stat. 180/10-10; Treas. Reg. § 301.7701-3(a).

23. 26 U.S.C. § 701; Treas. Reg. § 301.7701-3(a); IRS Publication 541; IRS Form 1065 Instructions.
24. 805 Ill. Comp. Stat. 180/5-1.
25. 805 Ill. Comp. Stat. 180/15-1.
26. 26 U.S.C. § 1402; Treas. Reg. § 1.1402(a)-2; Proposed Treas. Reg. § 1.1402(a)-2(h) (The proposed regulations represent the only administrative guidance on this matter and may be relied upon to avoid penalties under 26 U.S.C. § 6406(f).)
27. 805 Ill. Comp. Stat. 180/5-1.
28. 805 Ill. Comp. Stat. 180/10-10.
29. Treas. Reg. §§ 301.7701-3(b)(1)(ii), 301.7701-2(a), (c)(2)(i).
30. 805 Ill. Comp. Stat. 180/5-1.

## Intellectual Property Protection At a Glance - Authorities

31. 35 U.S.C. §§ 101-103; *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (setting a broad definition for patentable subject matter); *Titanium Metals v. Banner*, 778 F.2d 775, 780-782 (Fed. Cir. 1985) (discussing novelty for a composition of matter); *Brenner v. Manson*, 383 U.S. 519, 534-535 (1966) (holding that the invention, to be considered useful, must provide a "specific benefit" in a "currently available form"); *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1734, 1738-1746 (2007) (allowing inventions to be held obvious whether or not they were specifically suggested, motivated, or taught by the prior art); *Graham v. John Deere*, 383 U.S. 1, 13-20 (1966) (setting the obviousness standard).

32. 35 U.S.C. §§ 102 (a) (providing a patent cannot be obtained if "the invention was [publicly] known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent"), 102 (b) (providing a patent cannot be obtained if "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States"); *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 68 U.S.P.Q. 54, 57 (2d Cir. 1946) (holding invalidating public when secretly used by one person for commercial purposes); *Egbert v. Lippman*, 104 U.S. 333, 335-338 (1881) (holding invalidating public use when used by one person without duty of confidentiality); *Ex parte Thomson*, 24 U.S.P.Q. 2d 1618, 1619-1620 (Bd. Pat. App. & Int. 1992) (discussing whether a reference counts as enabling prior art); *In re Hall*, 781 F.2d 897, 899-900 (Fed. Cir. 1986) (holding that a printed publication needs only be accessible to qualify as prior art); *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 65-69 (1998) (discussing what qualifies as an "offer for sale"); *City of Elizabeth v. American Nicholson Pavement Company*, 97 U.S. 126, 135-137 (1877) (discussing the experimental use exception).

33. European Patent Convention, Oct. 5, 1973, art. 52(1), art. 54(1), art. 54(2), 1065 U.N.T.S. 199 ("Munich Patent Convention"); Patent Law [of Japan], Law No. 121 § 29(1) (as amended in June 4, 2004); Patent Law [of Germany] § 3(1) (as amended on Oct. 25, 1994); Law [of Italy] on Patents for Inventions, Royal Decree No. 1127 (as amended Mar. 19, 1996); The Patents Act [of India] (as amended Apr. 4, 2005).

34. 35 U.S.C. §§ 101, 271(a), 111(a)(1).

35. 35 U.S.C. § 271(a).

36. 35 U.S.C. §§ 287(a), 292.

37. 35 U.S.C. §§ 287(a).

38. 35 U.S.C. § 154(a)(2).

39. 35 U.S.C. § 271(a); *Corning Glass Works v. Sumitomo Electric U.S.A., Inc.*, 9 U.S.P.Q.2d 1962, 1968 (Fed. Cir. 1989) (citing 4 D. Chisum, Patents § 18.03 (1986)) (all elements rule); *Warner Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 37 (1997) (holding that the doctrine of equivalents is applied element by element); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608 (1950) (defining an equivalent as something that "performs substantially the same function in substantially the same way to obtain the same result" as the claimed invention).

40. 15 U.S.C. § 1127 (defining trademark and service mark); 765 Ill. Comp. Stat. 1036/5(h), 1036/5(i).

41. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10-11 (2d Cir. 1976) (describing categories of marks and protection); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210-211 (2000) (citing *Abercrombie & Fitch Co.*).

42. *Wal-Mart Stores, Inc.*, 529 U.S. at 210-211; 15 U.S.C. § 1052(e)(1) (requiring the mark be more than merely descriptive); *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.* 874 F.2d 95, 100 (holding that a mark can no longer be protected if it has transformed from a descriptive term to a generic term); 765 Ill. Comp. Stat. 1036/10(e).

43. 15 U.S.C. §§ 1125 (creating a cause of action against anyone causing confusion as to the origin of goods, services, or commercial activities), 1065 (giving a mark incontestable status after five years of registration and use on the Principal Register), 1072 (stating that registration provides constructive notice throughout country, eliminating good faith defense and expanding common law's geographic limits on protection), 1115 (establishing that registration can provide evidence of validity and ownership of the mark); *Griesedieck Western Brewery Co. v. Peoples Brewing Co.*, 149 F.2d 1019, 1022-1023 (8th Cir. 1945) (holding, an exclusive right under unfair competition law is "limited to the territory or market wherein [the trade name] has become established by use in such territory," and there was "no unfair competition [u]nless there has been some user in the disputed territory"); *R. P. Hazzard Co. v. Emerson's Shoes, Inc.*, 89 F. Supp. 211, 216-218 (D. Mass. 1950) (finding that owner of trade name had no claim for trademark infringement and finding that defendant's use of the name did not rise to the level of unfair competition); *Park 'n Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194-195 (1985) (holding that the registered mark Park 'n Fly gained incontestable status); 765 Ill. Comp. Stat. 1036/25.

44. 15 U.S.C. §§ 1114 (creating a cause of action against anyone who causes confusion with a registered mark), 1116(a) (giving courts authority to grant injunctions to prevent violation of a registrant's rights), 1125(a) (creating a cause of action against anyone

who causes confusion as to the origin of goods, services, or commercial activities); 765 Ill. Comp. Stat. 1036/60, 1036/70.

45. United States Patent and Trademark Office, Should I Register My Mark?, <<http://www.uspto.gov/web/offices/tac/doc/basic/register.htm>> (accessed Oct. 15, 2007) (hereafter "USPTO Registration").

46. 15 U.S.C. § 1111; USPTO Registration, supra n. 45.

47. 15 U.S.C. §§ 1125 (not limiting duration), 1127 (stating that a mark is abandoned when the mark's "use has been discontinued with intent not to resume[, and such intent] may be inferred from the circumstances"); see *Major League Baseball Properties, Inc. v. Sed Non Olet Denarius, Ltd.*, 817 F. Supp. 1103, 1128-1131 (S.D.N.Y. 1993) (finding the mark "Brooklyn Dodgers" abandoned for failure to use the mark) (citing *Silverman v. CBS, Inc.*, 870 F.2d 40, 48 (2d Cir. 1989) for the rule that "use must be sufficient to maintain the public's identification of the mark to the proprietor" (emphasis added; internal citations omitted)).

48. 15 U.S.C. §§ 1058(a), 1058(b), 1059, 1127 (stating that a mark is abandoned when the mark's "use has been discontinued with intent not to resume[, and such intent] may be inferred from the circumstances"); *Major League Baseball Properties, Inc.*, 817 F. Supp. at 1128-1131 (S.D.N.Y. 1993) (finding the mark "Brooklyn Dodgers" abandoned for failure to use the mark); see also *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366-369 (2d Cir. 1959) (holding, to avoid abandonment, "the licensor [must] exercise supervision and control over the operations of its licensees"); 765 Ill. Comp. Stat. 1036/30.

49. 15 U.S.C. §§ 1114, 1125(a); *In re E. I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (CCPA 1973) (setting out 15 likelihood of confusion factors, now known as the "Du Pont factors"); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-354 (9th Cir. 1979) (citing and analyzing eight likelihood of confusion factors); *Mc-Graw Edison v. Walt Disney Prod.*, 787 F.2d 1163, 1167-1168 (7th Cir. 1986) (setting out a seven-factor likelihood of confusion test).

50. Trademark Dilution Revision Act of 2006, H.R. 683 § 2(c) (effective Oct. 6, 2006).

51. 17 U.S.C. § 102(a).

52. 17 U.S.C. § 101 (defining a work as fixed when it is "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration"); *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 716 (9th Cir. 2007) (citing *MAI Sys. Corp. v. Peak Computer*, 991 F.2d 511, 518-519 (9th Cir. 1993) (explaining that a work is fixed when it is stored in computer memory)); *Marobie-Fl., Inc. v. National Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167, 1177 (N.D. Ill. 1997) (following *MAI*

*Sys. Corp.*); *Baltimore Orioles, Inc. v. Major League Baseball Players Asso.*, 805 F.2d 663, 675 (7th Cir. 1986) (explaining that telecasts are fixed on video tapes).

53. 17 U.S.C. § 102(a); *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 359 (1991) (requiring minimal creativity); 37 C.F.R. § 202.1 (describing materials that are not subject to copyright for lack of originality).

54. 17 U.S.C. §§ 408(a) (stating that registration is not a condition for copyright protection), 411 (stating that some type of registration is required before filing an action for copyright infringement), 412 (limiting the application of statutory damages and attorney's fees for infringement occurring before registration).

55. 17 U.S.C. § 106.

56. 17 U.S.C. § 401(b).

57. 17 U.S.C. § 302(a).

58. 17 U.S.C. §§ 101 (defining a "work made for hire"), 302(c) (stating the duration for works made for hire); see also *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 739-753 (1989) (further defining works made for hire).

59. *Mazer v. Stein*, 347 U.S. 201, 218 (1954) (stating, "[a]bsent copying there can be no infringement of copyright"); *Arnstein v. Porter*, 154 F.2d 464, 468-469 (2d Cir. 1946) (setting out standard that copyright infringement requires copying and substantial similarity).

60. *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (stating, "a great number of patterns of increasing generality will fit equally well, [t]he last may perhaps be no more than the most general statement of what the play is about; [t]here is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended"); *Steinberg v. Columbia Pictures Industries, Inc.*, 663 F. Supp. 706, 711-712 (S.D.N.Y. 1987) (analyzing substantial similarity by distinguishing between the expressed work and the idea behind the work); *Roth Greeting Cards v. United Card Co.*, 429 F.2d, 1106, 1110 (9th Cir. 1970) (analyzing substantial similarity by comparing the "total concept and feel" of the works).

61. 765 ILCS 1065/2(d); *Service Centers of Chicago, Inc. v. Minogue*, 535 N.E. 2d 1132, 1135-1137 (Ill. App. 1st Dist. 1989) (stating, "the protection accorded to trade secrets reflects a balancing of conflicting social and economic concerns," applying the Illinois Trade Secrets Act, 765 ILCS 1065/2(d) ("ITSA") and Restatement (First) of Torts, § 757, comment b (1939) ("Restatement") (identifying six factors relevant to the existence of a trade secret)); *Stenstrom Petroleum Services Group, Inc. v. Mesch*, 2007 WL 2683723 at \*\*10-13 (Ill. App. 2d Dist. 2007) (discussing the

existence of a trade secret in Illinois and applying the ITSA and the Restatement); see Unif. Trade Secrets Act § 1(4) (adopted in the majority of states) (identifying four basic factors that establish the existence of a trade secret).

62. *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, 925 F.2d 174, 179 (7th Cir. 1991) (holding, the existence of a trade secret is a question of fact and reversing summary judgment; stating, "[t]he defendant is perfectly entitled to obtain the property if the plaintiff has abandoned it by giving it away without restrictions"); *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 725-726 (7th Cir. 2003) (reinstating the jury verdict concerning the existence of a trade secret when that secret was disclosed to one party without confidentiality; verdict supported existence of trade secret).

63. *Rockwell Graphic Sys., Inc.*, 925 F.2d at 179-180 (explaining that, when deciding the issue of reasonable efforts, the fact finder should balance the costs and benefits that an owner would expect by using more effort to keep the information secret).

64. *Rockwell Graphic Sys., Inc.*, 925 F.2d at 179-180 (explaining, "reverse engineering involves the use of technical skills that we want to encourage," and "[t]he defendant is perfectly entitled to obtain the property if the plaintiff has abandoned it by giving it

away without restrictions"); *Hamer Holding Group, Inc. v. Elmore*, 202 Ill. App. 3d 994, 1011-12 (1st Dist. 1990) (holding that a customer list was not a trade secret because it could be easily duplicated); *I.L.G. Industries, Inc. v. Scott* (1971), 49 Ill. 2d 88, 96 (1971) (granting an injunction only for the amount of time it would take to independently reverse engineer a design); see 765 ILCS 1065/3(a).

65. 765 ILCS 1065/2(b)(2); *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 903 (Minn. 1983) (holding, "[a] common law duty of confidentiality arises out of the employer-employee relationship only as to information which the employer has treated as secret; [t]he employee is entitled to fair notice of the confidential nature of the relationship and what material is to be kept confidential).

66. 765 ILCS 1065/2(d) (imposing no durational limitation); see *Woodbridge v. United States*, 263 U.S. 50, 59-60 (1923) (citing *Macbeth-Evans Glass Co. v. General Electric Co.*, 246 Fed. 695[, 699-700] (6th Cir. 1917) (holding that an inventor abandoned patent rights in his invention when he chose to keep his invention secret indefinitely and use it for commercial gain)).

67. 765 ILCS 1065/2(a) (defining "improper means"); 765 ILCS 1065/2(b) (defining "misappropriation").



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