

***Entrepreneurship: Successfully Launching New Ventures, 3e (Barringer/Ireland)***  
**Chapter 12 The Importance of Intellectual Property**

1) Ecovative Design, the company profiled in the opening feature for Chapter 12, makes an organic building insulation from mushrooms. Ecovative Design received a big boost in late 2008 when it won the coveted Picnic Green Challenge Prize in Amsterdam, Holland. In U.S. dollars, the prize was approximately:

- A) \$25,000
- B) \$50,000
- C) \$100,000
- D) \$250,000
- E) \$750,000

Answer: E

Diff: 2      Page Ref: 388

Topic: The Importance of Intellectual Property

AACSB: Reflective Thinking

2) Which of the following is an example of intellectual property?

- A) Microsoft's headquarters in Redmond, Washington
- B) Nike's swoosh logo
- C) the computer that you use
- D) AirTran's fleet of planes
- E) the trucks that deliver White Wave soymilk to grocery stores

Answer: B

Diff: 1      Page Ref: 388

Topic: The Importance of Intellectual Property

AACSB: Reflective Thinking

3) Which of the following isn't an example of intellectual property?

- A) Proactiv's formula for acne medication
- B) Yahoo's trademark
- C) the Internet domain name www.starbucks.com
- D) Microsoft's Window operating system
- E) a computer mouse

Answer: E

Diff: 2      Page Ref: 388

Topic: The Importance of Intellectual Property

AACSB: Reflective Thinking

4) Which of the following was not identified in the textbook as one of the common mistakes that entrepreneurs make regarding intellectual property?

- A) not fully recognizing the value of their intellectual property
- B) not properly identifying all their intellectual property
- C) not properly registering their Internet domain names
- D) not using their intellectual property as part of their overall plan for success
- E) not taking sufficient steps to protect their intellectual property

Answer: C

Diff: 2      Page Ref: 390

Topic: The Importance of Intellectual Property

5) There are two primary rules of thumb for deciding if intellectual property protection should be pursued for a particular intellectual asset. First, a firm should determine if the intellectual property in question is directly related to its competitive advantage. Second, a firm should determine if its intellectual property:

- A) is less than 20 years old
- B) could be licensed to another company
- C) has value in the marketplace
- D) is something that was developed "in-house"
- E) rightfully belongs to the firm or the employees who developed it

Answer: C

Diff: 2      Page Ref: 391

Topic: The Importance of Intellectual Property

6) Which of the following are the four key forms of intellectual property protection?

- A) patents, copyrights, trademarks, and trade secrets
- B) discoveries, converts, trademarks, patents
- C) patents, official documents, copyrights, inventions
- D) discoveries, Internet domain names, innovations, trademarks
- E) converts, inventions, opportunities, and copyrights

Answer: A

Diff: 1      Page Ref: 391

Topic: The Importance of Intellectual Property

7) Which of the following is not one of the four key forms of intellectual property protection?

- A) trade secrets
- B) copyrights
- C) trademarks
- D) innovations
- E) patents

Answer: D

Diff: 1      Page Ref: 391

Topic: The Importance of Intellectual Property

- 8) The What Went Wrong feature in Chapter 12 focuses on Dippin' Dots, a company that sells ice cream snacks. Dippin' Dot's lost the patent on its small beads of ice cream primarily because:
- A) it failed to obtain permission from a patent holder that has "prior art" pertaining to the claims in its patent
  - B) it had sold its ice cream product one year prior to applying for a patent
  - C) it filed its patent application incorrectly
  - D) its patent infringes on the patent of a competitor
  - E) it failed to renew its patent on time

Answer: B

Diff: 2      Page Ref: 392

Topic: The Importance of Intellectual Property

AACSB: Reflective Thinking

- 9) A grant from the federal government conferring the rights to exclude others from making, selling, or using an invention for a specific period of time is referred to as a:

- A) trademark
- B) copyright
- C) idea secret
- D) innovation
- E) patent

Answer: E

Diff: 2      Page Ref: 393

Topic: Patents

- 10) Which form of intellectual property protection is the only one expressly mentioned in the original articles of the U.S. Constitution?

- A) assurances
- B) patents
- C) copyrights
- D) trade secrets
- E) trademarks

Answer: B

Diff: 3      Page Ref: 393

Topic: Patents

- 11) The sole entity responsible for granting patents in the United States is the:

- A) U.S. Patent and Trademark Office
- B) Federal Patent, Copyright and Trademark Office
- C) Securities and Exchange Commission
- D) U.S. Departments of Patents
- E) U.S. Treasury Department

Answer: A

Diff: 2      Page Ref: 393

Topic: Patents

12) Since the first patent was granted, there have been over \_\_\_\_\_ patents granted in the United States.

- A) 500,000
- B) 3 million
- C) 5 million
- D) 7 million
- E) 9 million

Answer: D

Diff: 3      Page Ref: 393

Topic: Patents

13) Which of the following selections correctly identifies the three types of patents?

- A) manufacturing patents, process patents, and plant patents
- B) usefulness patents, purpose patents, and genetic patents
- C) explicit patents, implicit patents, and plant patents
- D) utility patents, design patents, and plant patents
- E) manufacturing patents, service patents, and other patents

Answer: D

Diff: 2      Page Ref: 394

Topic: Patents

14) \_\_\_\_\_ patents are the most common type of patent and cover what we generally think of as new inventions.

- A) Value
- B) Product
- C) Method
- D) Utility
- E) Design

Answer: D

Diff: 2      Page Ref: 394

Topic: Patents

15) There are three basic requirements for a patent to be granted. The subject of the patent application must be:

- A) useful, difficult to copy, and novel in relational to prior arts in the field
- B) based on cutting edge science or technology, not obvious to a person of ordinary skill in the field, and rare
- C) useful, novel in relation to prior arts in the field, and not obvious to a person of ordinary skill in the field
- D) rare, difficult to copy, and not obvious to a person of ordinary skill in the field
- E) useful, scientific, and novel in relation to prior arts in the field

Answer: C

Diff: 3      Page Ref: 394

Topic: Patents

- 16) The term of a utility patent is:
- A) 7 years from the date the patent is granted
  - B) 15 years from the date of the initial application
  - C) 15 years from the date the patent is granted
  - D) 20 years from the date of the initial application
  - E) 20 years from the date the patent is granted

Answer: D

Diff: 2      Page Ref: 394

Topic: Patents

17) Amazon.com's one-click ordering system, Priceline.com's "name-your-price" business model and Netflix's method for allowing customers to set up a rental list of movies they want mailed to them are examples of:

- A) copyright extension patents
- B) utility patents
- C) business process protection patents
- D) trademark extension patents
- E) business method patents

Answer: E

Diff: 2      Page Ref: 394

Topic: Patents

18) \_\_\_\_\_ patents are the second most common type of patent and cover the invention of new, original, and ornamental designs for manufactured products.

- A) Aesthetic
- B) Utility
- C) Visual
- D) Blueprint
- E) Design

Answer: E

Diff: 2      Page Ref: 395

Topic: Patents

19) A utility patent is good for \_\_\_\_\_ from the date of the original application, a design patent is good for \_\_\_\_\_ from the date the patent is granted, and a plant patent is good for \_\_\_\_\_ from the date of the original application.

- A) 14 years, 14 years, 20 years
- B) 20 years, 20 years, 14 years
- C) 20 years, 20 years, 20 years
- D) 20 years, 14 years, 20 years
- E) 14 years, 20 years, 14 years

Answer: D

Diff: 3      Page Ref: 395

Topic: Patents

20) \_\_\_\_\_ takes place when one party engages in the unauthorized use of another party's patent.

- A) Patent breach
- B) Patent encroachment
- C) Patent violation
- D) Patent infraction
- E) Patent infringement

Answer: E

Diff: 2      Page Ref: 398

Topic: Patents

21) The Partnering for Success feature in Chapter 12 starts by talking about Gary Schwartzberg, who along with a partner, developed a new type of bagel, dubbed the "Begeler," that was eventually licensed to Kraft. According to the feature, entrepreneurs and inventors, like Gary Schwartzberg, are finding that large consumer products companies are:

- A) are ambivalent about what they have to offer
- B) are increasingly interested in what they have to offer for new products, but are ambivalent about services
- C) increasingly interested in what they have to offer
- D) are increasingly interested in what they have to offer for new services, but are ambivalent about products
- E) increasingly disinterested in what they have to offer

Answer: C

Diff: 2      Page Ref: 398

Topic: Trademarks

AACSB: Reflective Thinking

22) There are four types of trademarks:

- A) trademarks, service marks, collective marks, and certification marks
- B) examination marks, trademarks, combined marks, and service marks
- C) shared marks, collective marks, mutual marks, and trademarks
- D) service marks, cooperative market, trademarks, and shared marks
- E) trademarks, collective marks, documentation marks, and combined marks

Answer: A

Diff: 2      Page Ref: 400

Topic: Trademarks

23) Which of the following is not a type of trademark?

- A) trademark
- B) certification mark
- C) documentation mark
- D) collective mark
- E) service mark

Answer: C

Diff: 2      Page Ref: 400

Topic: Trademarks

24) eHarmony for dating, eBags for bags, and Proactiv for acne medication are examples of:

- A) certifications
- B) copyrights
- C) patents
- D) trade secrets
- E) trademarks

Answer: E

Diff: 2      Page Ref: 400

Topic: Trademarks

25) \_\_\_\_\_ are similar to ordinary trademarks, but they are used to identify the services or intangible activities of a business rather than a business's physical product.

- A) Creative marks
- B) Intangible marks
- C) Examination marks
- D) Service marks
- E) Subtle marks

Answer: D

Diff: 2      Page Ref: 400

Topic: Trademarks

26) \_\_\_\_\_ are trademarks or service marks used by the members of a cooperative, association, or other collective group, including marks indicating membership in a union or similar organization.

- A) Collective marks
- B) Share marks
- C) Examination marks
- D) Joint marks
- E) Certification marks

Answer: A

Diff: 2      Page Ref: 400

Topic: Trademarks

27) The Good Housekeeping Seal of Approval is an example of a:

- A) collective mark
- B) shared mark
- C) service mark
- D) certification mark
- E) assessment mark

Answer: D

Diff: 2      Page Ref: 400

Topic: Trademarks

AACSB: Reflective Thinking

28) Which of the following is an example of a certification mark?

- A) Overstock.com
- B) International Franchise Association
- C) Underwriter's Laboratories
- D) Rotary International
- E) 1-800-FREE-411

Answer: C

Diff: 2      Page Ref: 400

Topic: Trademarks

AACSB: Reflective Thinking

29) A trademark is renewable:

- A) every 10 years, as long as the mark remains in use
- B) indefinitely, regardless of whether the mark remains in use
- C) every 20 years from the date of application for the trademark
- D) every 3 years
- E) every 33 years

Answer: A

Diff: 2      Page Ref: 400

Topic: Trademarks

30) Which of the following is not generally eligible for trademark protection?

- A) trade dress
- B) shapes
- C) words
- D) surnames
- E) designs or logos

Answer: D

Diff: 2      Page Ref: 402

Topic: Trademarks

31) A trademark is registered with the:

- A) U.S. Commerce Department
- B) Federal Trade Commission
- C) Securities and Exchange Commission
- D) Federal Patent, Copyright, and Trademark Office
- E) U.S. Patent and Trademark Office

Answer: E

Diff: 2      Page Ref: 402

Topic: Trademarks

32) A form of intellectual property protection that grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain the economic benefits from the work is referred to as a:

- A) assurance document
- B) patent
- C) trade secret
- D) brand
- E) copyright

Answer: E

Diff: 1      Page Ref: 404

Topic: Copyrights

33) Which of the following statements about copyrights is incorrect?

- A) Businesses typically possess a treasure trove of copyrightable material.
- B) A musical composition that is written down is copyrightable.
- C) Copyrightable material may be in tangible or intangible form.
- D) The 1976 Copyright Act governs copyright law in the U.S.
- E) A copyright is a form of intellectual property protection.

Answer: C

Diff: 2      Page Ref: 404

Topic: Copyrights

34) Copyright law is governed by the:

- A) U.S. Constitution
- B) The 1946 Intellectual Property Act
- C) The 1966 Trademark and Copyright Act
- D) The 1955 Inventors and Writer's Protection Act
- E) Copyright Revision Act of 1976

Answer: E

Diff: 3      Page Ref: 404

Topic: Copyrights

35) If a local band wrote their own rendition of a Celine Dion song, the band could try to copyright their rendition of the song as a:

- A) imitative work
- B) offshoot work
- C) derivative work
- D) subsequent work
- E) supplemental work

Answer: C

Diff: 2      Page Ref: 404

Topic: Copyrights

- 36) Copyright law protects any work of authorship:  
A) 90 days after it is approved by the U.S. Copyright Office  
B) one year after it assumes a tangible form  
C) the moment it assumes a tangible form  
D) as soon as it is approved by the U.S. Copyright Office  
E) 30 days after it assumes a tangible form

Answer: C

Diff: 2      Page Ref: 405

Topic: Copyrights

- 37) Which of the following symbols is the copyright bug?

- A) ©  
B) €  
C) ™  
D) ©  
E) ™

Answer: D

Diff: 2      Page Ref: 405

Topic: Copyrights

- 38) According to current regulations, any copyrightable work created on or after January 1, 1978, is protected by copyright law for the life of the author plus:

- A) 28.5 years  
B) 101 years  
C) 40 years  
D) 55 years  
E) 70 years

Answer: E

Diff: 3      Page Ref: 405

Topic: Copyrights

- 39) \_\_\_\_\_ occurs when one work derives from another or is an exact copy or shows substantial similarity to the original work.

- A) Copyright infringement  
B) Copyright violation  
C) Copyright intrusion  
D) Copyright breach  
E) Copyright violation

Answer: A

Diff: 2      Page Ref: 406

Topic: Copyrights

40) A company's customer list is most commonly protected under \_\_\_\_\_ regulations.

- A) patent
- B) copyright
- C) trade secret
- D) trademark
- E) collective mark

Answer: C

Diff: 2 Page Ref: 407

Topic: Trade Secrets

41) The Savvy Entrepreneurial Firm feature in Chapter 12 focuses on a copyright infringement case involving the owners of work originally produced by Elvis Presley and Passport Video, a company that produced a video documentary of Elvis' life. Passport Video, which did not get permission to use songs, interviews and other material produced by Elvis and used in the documentary, claimed they did not need formal approval because the documentary on Elvis' life was scholarly research and should therefore be protected under the \_\_\_\_\_ exemption to copyright law.

- A) trivial infringement
- B) minor application
- C) fair use
- D) slight use
- E) incidental utilization

Answer: C

Diff: 2 Page Ref: 408

Topic: Copyrights

AACSB: Reflective Thinking

42) A \_\_\_\_\_ is any formula, pattern, physical device, idea, process, or other information that provides the owner of the information with a competitive advantage in the marketplace.

- A) patent
- B) copyright
- C) trademark
- D) trade secret
- E) certification mark

Answer: D

Diff: 2 Page Ref: 409

Topic: Trade Secrets

43) \_\_\_\_\_ include marketing plans, product formulas, financial forecasts, employee rosters, logs of sales calls, and laboratory notebooks.

- A) Trade secrets
- B) Trademarks
- C) Collective marks
- D) Patents
- E) Copyrights

Answer: A

Diff: 2 Page Ref: 409

Topic: Trade Secrets

44) Which of the following items would typically be protected by a form of intellectual property protection other than trade secret statutes?

- A) financial forecast
- B) product formula
- C) a company's tagline
- D) logs of sales calls
- E) employee roster

Answer: C

Diff: 2      Page Ref: 409

Topic: Trade Secrets

45) The federal Economic Espionage Act, passed in 1996, criminalizes:

- A) copyright infringement
- B) utility patent violations
- C) trademark violations
- D) design patent violations
- E) the theft of trade secrets

Answer: E

Diff: 3      Page Ref: 409

Topic: Trade Secrets

46) The \_\_\_\_\_, which was drafted in 1979 by a special commission, attempted to set nationwide standards for trade secret legislation.

- A) Intangible Assets Protection Act
- B) Fairness in Intellectual Property Act
- C) Uniform Trade Secrets Act
- D) Trademark & Copyright Act
- E) Economic Espionage Act

Answer: C

Diff: 3      Page Ref: 409

Topic: Trade Secrets

47) According to the textbook, trade secret disputes arise most frequently when:

- A) one firm alleges that it can legally use another firm's trade secrets because they were "voluntarily" disclosed
- B) an employee leaves a firm to join a competitor and is accused of taking confidential information with him or her
- C) one firm claims that another firm outright stole its trade secrets
- D) one firm claims that what another firm is claiming as a trade secret is common knowledge
- E) one firm claims that it obtained another firm's trade secrets through legal means

Answer: B

Diff: 3      Page Ref: 410

Topic: Trade Secrets

AACSB: Reflective Thinking

48) An \_\_\_\_\_ is conducted to determine the intellectual property a company owns.

- A) intellectual property audit
- B) intangible materials audit
- C) academic property inventory
- D) intellectual materials inventory
- E) intangible property inventory

Answer: A

Diff: 1      Page Ref: 411

Topic: Conducting an Intellectual Property Audit

49) Consider the following questions: Are products under development that require patent protection?; Are we in compliance with the copyright license agreements into which we have entered?; Is anyone infringing on our trademarks; and Are company trade secrets leaking out to competitors? These are the types of questions that would be asked when conducting a(n):

- A) intangible material examination
- B) intellectual property inventory
- C) intangible material inspection
- D) patent, trademark, copyright, and trade secret review
- E) intellectual property audit

Answer: E

Diff: 2      Page Ref: 412

Topic: Trade Secrets

50) There are two primary reasons to conduct an intellectual property audit. First, it is prudent for a company to periodically determine whether its intellectual property is being properly protected. The second reason for a company to conduct an intellectual property audit is to:

- A) remained prepared for a Security & Exchange Commission spot inspection
- B) remain prepared to justify its value in the event of a merger or acquisition
- C) remain prepared for an initial public offering
- D) update the value of its intellectual property on its balance sheet
- E) make sure no intellectual property has been stolen

Answer: B

Diff: 2      Page Ref: 412

Topic: Conducting an Intellectual Property Audit

51) Intellectual property is any product of human intellect that is intangible but has value in the marketplace.

Answer: TRUE

Diff: 1      Page Ref: 389

Topic: The Importance of Intellectual Property

52) Patents, trademarks, copyrights, and licenses are the four key forms of intellectual property.

Answer: FALSE

Diff: 1      Page Ref: 391

Topic: The Importance of Intellectual Property

53) A patent is a grant from the federal government conferring the rights to exclude others from making, selling, or using an invention for the term of the trademark.

Answer: TRUE

Diff: 1      Page Ref: 393

Topic: Patents

54) The average time for the approval of a patent is 16 months.

Answer: FALSE

Diff: 2      Page Ref: 393

Topic: Patents

55) The owner of a patent is granted a legal monopoly for an unlimited period of time.

Answer: FALSE

Diff: 2      Page Ref: 394

Topic: Patents

56) A utility patent can be obtained for a new product or process or the "idea" for a new product or process.

Answer: FALSE

Diff: 2      Page Ref: 394

Topic: Patents

57) Utility patents are the most common type of patent and cover what we generally think of as new inventions.

Answer: TRUE

Diff: 2      Page Ref: 394

Topic: Patents

58) A trademark is a word, name, symbol, or device used to identify the source or origin of products or services and to distinguish those products or services from others.

Answer: TRUE

Diff: 1      Page Ref: 399

Topic: Trademarks

59) Certification marks are similar to ordinary trademarks, but they are used to identify the services or intangible activities of a business rather than a business's physical product.

Answer: FALSE

Diff: 2      Page Ref: 400

Topic: Trademarks

60) Combinations of numbers and letters, such as 3M and 1-800-FREE-411, cannot be trademarked.

Answer: FALSE

Diff: 2      Page Ref: 401

Topic: Trademarks

61) Trademark law falls under the Lanham Act, which passed in 1946.

Answer: TRUE

Diff: 2      Page Ref: 401

Topic: Trademarks

62) A trademark consisting primarily of a surname, such as Jones or Smith, is typically not protectable.

Answer: TRUE

Diff: 2      Page Ref: 402

Topic: Trademarks

63) A copyright is a form of intellectual property protection that grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain the economic benefits from the work.

Answer: TRUE

Diff: 1      Page Ref: 404

Topic: Copyrights

64) The 1976 Copyright Revision Act governs copyright law in the U.S.

Answer: TRUE

Diff: 3      Page Ref: 404

Topic: Copyrights

65) Computer software is not covered by copyright law.

Answer: FALSE

Diff: 2      Page Ref: 404

Topic: Copyrights

66) Copyright infringement occurs when one work derives from another or is an exact copy.

Answer: TRUE

Diff: 2      Page Ref: 406

Topic: Copyrights

67) A trade secret is any formula, pattern, physical device, idea, process, or other information that provides the owner of the information with a competitive advantage in the marketplace.

Answer: TRUE

Diff: 1      Page Ref: 409

Topic: Trade Secrets

68) The federal Economic Espionage Act, passed in 1996, criminalizes the theft of trade secrets.

Answer: TRUE

Diff: 2      Page Ref: 409

Topic: Trade Secrets

69) Trade secret disputes arise most frequently when one firm alleges that a trade secret claimed by another firm is common knowledge, and can therefore be used by anyone.

Answer: FALSE

Diff: 2      Page Ref: 409

Topic: Trade Secrets

AACSB: Reflective Thinking

70) An intellectual property audit is conducted to determine the intellectual property a company owns.

Answer: TRUE

Diff: 1      Page Ref: 411

Topic: Conducting an Intellectual Property Audit

71) What is intellectual property? Why is it called "intellectual" property? Why is intellectual property such an important issue for entrepreneurial firms?

Answer: Intellectual property is any product of human intellect that is intangible but has value in the marketplace. It is called "intellectual" property because it is the product of human imagination, creativity, and inventiveness. Traditionally, businesses have thought of their physical assets, such as land, buildings, and equipment, as their most important assets.

Increasingly, however, a firm's intellectual assets, which include inventions, trademarks, brands, and methods of doing business, are their most valuable assets. Intellectual property is particularly important to entrepreneurial firms, because many firms begin with an idea (based on an invention or a new method for doing business), and their idea represents their most valuable assets (and source of competitive advantage). It is nearly impossible for an entrepreneurial firm to beat an established firm based on physical assets. Entrepreneurial firms, however, can "out think" established firms, which involves intellectual assets.

Diff: 1      Page Ref: 389

AACSB: Reflective Thinking

72) What are the two primary rules of thumb for determining whether intellectual property protection should be pursued for a particular intellectual asset?

Answer: First, a firm should determine whether the intellectual property in question is directly related to its competitive advantage. Second, a firm should determine whether the item has independent value in the marketplace. If either or both of these conditions exist, intellectual property protection for an asset should be strongly considered.

Diff: 2      Page Ref: 391

AACSB: Reflective Thinking

73) Identify and briefly describe the three types of patents.

Answer: The three types of patents are utility patents, design patents, and plant patents.

Utility patents are the most common type of patent and cover what we generally think of as new inventions. Patents in this category may be granted to anyone who "invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Design patents are the second most common type of patent and cover the invention of new, original, and ornamental designs for manufacturer products. While a utility patent protects the way an invention is used and works, a design patent protect the way it looks. The third type of patents is plant patents. Plant patents protect new varieties of plants that can be reproduced asexually. Such plants are reproduced by grafting or crossbreeding rather than by planting seeds.

Diff: 2      Page Ref: 394

AACSB: Reflective Thinking

74) What is a trademark? Why are trademarks important?

Answer: A trademark is any word, name, symbol, or device used to identify the source or origin of products or services and to distinguish those products or services from others. All businesses want to be recognized by their potential clientele and use their names and logos to enhance their visibility. Trademarks also provide consumers with information. For example, consumers know what to expect when they see a Starbucks coffee shop. Think of how confusing it would be if any coffee shop could use the name Starbucks.

Diff: 2      Page Ref: 399

AACSB: Reflective Thinking

75) What is a copyright? What is protected by a copyright?

Answer: A copyright is a form of intellectual property protection that grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain the economic benefits from the work. The work must be in tangible form, such as a book, operating manual, or magazine article. If something is not in a tangible form, such as a speech that has never been recorded or saved on a computer disk, copyright law does not protect it.

The primary categories of material that can be copyrighted are as follows:

- Literary works
- Musical compositions
- Computer software
- Dramatic works
- Pantomimes and choreographic works
- Pictorial, graphic, and sculptural works

Diff: 3      Page Ref: 404

AACSB: Reflective Thinking