

SWATlaw[®] Series:
Special Weapons And Tactics for Managing Risk
Intellectual Property ("I.P.") 101: A Pirate's Life for Thee

You're an IP Pirate (trust me). Should you put a black patch on your "blind eye" when it comes to your infringement of others' IP, or should you do something about it? Have you given away ownership of your IP, not at knifepoint, but through shoddy or non-existent contract negotiation – making you a pirate of what used to be your property? And how do you protect your own (buried?) IP treasures?

I don't want to look stupid, but everyone is talking about 'I.P.'? What is it?

In general, I.P. – which stands for “Intellectual Property – comes in 5 flavors: copyrights, trademarks, trade secrets, trade dress, and patents. There are also other “attendant” rights – like moral rights, and rights of publicity and privacy – that you might need to consider if you are clearing content for use in your business.

Is “intellectual” property treated like other property?

In a word, Yes. There are three “types” of property, and they're all treated similarly under the rubric of “Property Law.” We all seem to understand the first two, real property and personal property – or land and “stuff you can touch” (pencils, dogs, airplanes). It's fairly easy to get a handle on something you can actually see. For example, you know that if you “trespass” on someone's land/real property, there will be repercussions. If someone “steals” your personal property, it's fairly obvious – you don't have it any more. You can “lease” or “lend” real and personal property. We all basically understand these concepts.

But what if you can't “touch” or “see” the property? That's the issue with *intellectual* property. It is by its very nature intangible. You usually can't “tell” if someone is trespassing on your rights – and you need to have some idea of the law, to know whether you're trespassing on someone else's rights.

Here's an example. There is a Property Law concept called a “prescriptive easement.” It holds that if you let someone trespass on your property for long enough (e.g., a path on your property is used by the public to access a beach, or you let someone get water out of your spring), and you don't assert your rights, you can be deemed to have “donated” that part of your property to the public. (You knew this, right?) The problem with IP is that if someone is “squatting” or “trespassing” on your trademark, it's a lot harder to see than if they are cutting a path through your back yard. But Property Law still applies – if you don't “police your rights” and people use your property, you can be deemed to have “slept on your rights” and to have relinquished your sole claim to that property.

Or, let's look at another example – Theft. If you pick up someone's pencil and “borrow” it (with no intention of returning it or paying for it) – you've really stolen it. But what if you pick up and “borrow” someone's turn of phrase, or their idea? They can't look around, notice it's gone, and then set about to retrieve their property. It's much harder to police IP than it is to police other property . . . because even if stolen, it doesn't “diminish” the amount to which the owner has access.

As an aside, it's important to note that by signing your clients' contracts, you may sign over your rights to your IP – and be forbidden from ever using it again. You can also get into trouble by having others help you on a project, without a written contract specifically assigning their rights to you. It's incredibly important to use your own template contract spelling out exactly how you do business – and to have an attorney review any contracts you consider signing, for any “pitfalls”

they might contain.¹ If you would like more information on this topic, please see the Questions and Answers for another speech in the SWATlaw® series, entitled *Contracts and Negotiation: What You Don't Know Can Hurt You.*²

Can we get back to IP now? You say there are five “types” of IP – are they different? In general, what does each cover?

People frequently confuse patents, copyrights and trademarks – and haven't even heard of trade dress and trade secrets, much less “moral” rights. While all could be considered “IP”, each provides different protection and is governed by different laws. In general, patents and trade secrets protect ideas, inventions, and processes; copyrights protect original works of authorship; trademarks and trade dress protect brands; and “moral” rights protect an author or artist's name and reputation in relation to their work.

Here is a synopsis of each in turn:

Copyright. Copyright protects the original way an idea is expressed – for example, the words, music, “doodles,” photographs, dance, or song.³ Ideas are unprotectable under copyright law.⁴ If you put a copyright mark on your documents, be sure to use the correct format. That format is: © [date written] [owner]. **All rights reserved.** So for this FAQ, the copyright would read: © 2002-2004 Good Solutions, Inc. **All rights reserved.** The copyright “owner” in this case is

¹ And don't think that lawyers are interchangeable. A recent client lamented about the first lawyer she had approached to help her draft templates for her new business. She told him that she wanted her subcontractor agreements to be “friendly, not too legalese-y.” To her shock, the lawyer retorted, shaking his head, “Well, I think that you're really starting your business off on the wrong foot – if you're going to be hiring your friends and business associates to subcontract for you, and you have to put stuff in writing, then you're telling them right off the bat that you can't trust them.” This is a woman who was starting a technology-related company . . . and this attorney gave her advice that, if followed, could lead her to all sorts of potential horrific situations, including never owning (or having any exclusive rights to) anything a subcontractor did for her on behalf of her clients! Yikes! Worse, her potential clients are “big companies” – the ones with work for hire, indemnification, and warranty language in their boilerplates. Without a sub-contract passing those terms through, she could be in an awful situation in no time flat – on the hook for her subcontractor's mistakes and re-use of their deliverables in a manner in opposition to the contracts *she* has signed with *her* clients.

² Although the handout posted on my website was directed to an accountant/risk manager audience, it's generally applicable, and details some of the tricks and traps ready to snare the unwary.

³ Pop quiz: You write a letter to someone, who owns the copyright in that letter? *You* do. So if you become famous some day, there might be an “infringement” claim if those letters are used in a manner that violates your copyright! Better yet, copyright law also considers e-mail to be a literary work, so you risk copyright infringement every time you forward an e-mail message without receiving permission from the writer.

⁴ The “idea” might be boy meets girl, they are from different social classes, boy falls in love with girl, boy loses girl (though he really hasn't) . . . is this Shakes peare's *Romeo and Juliet*? While that story is now in the public domain (so anyone can use his actual words, either wholesale or to “base” their work on) – his words were an “expression” of this idea and were originally subject to copyright. Other “expressions” of this “idea” might be the movie *West Side Story*, or how about even *Shakespeare in Love*? Although you can be an infringer if you are “inspired” by another's copyrighted work (more on that later), the idea itself or “facts” are always fair game. Be careful, though! As many have found to their detriment, the “facts” surrounding a fictional character (the *Star Trek* characters in particular) are not facts – they themselves are fiction! So you cannot write a book detailing the “facts” of *Star Trek*, since all those “facts” are made up – and therefore protectable under copyright.

my company, because my IP “belongs” to my company.⁵ For an independent contractor, the copyright would read: © 2002-2004 Sandra Shepard. All rights reserved.

A copyright owner has the exclusive right to make copies of her work, distribute copies, create derivatives based on her work, and publicly perform and display the work. The “fair use” safe haven (a defense to an infringement lawsuit) is quite restricted, usually failing if any profit is (sometimes even indirectly) made from the copying. So if you’re copying, when in doubt – get permission!⁶

Patents. While copyrights protect an idea’s expression, a patent protects the idea itself. Patents give the patent holder the right to exclude others from making, using or selling the subject matter described in the patent without authorization.⁷

To be patentable, your product or process must be repeatable, novel, and it must not be an “obvious” extension of a current product or process, to someone with “ordinary” skills in your business. Having a “patent pending” can add value to your business in your clients’ eyes, or might help you obtain funding. By filing a patent, you explain in detail how to make your product or process – in exchange, you obtain a monopoly for a number of years. As opposed to copyright, patent infringement protection doesn’t depend on proof of copying – the patent holder can stop a person from making the work that’s the subject of the patent, even if that person came up with their work independently. There will be a bit more on patents below, but as this method of protection is generally costly to obtain and not as useful to most of my clients, this handout will not be particularly detailed in this respect.

Trade Secrets. Another method of protecting an idea or process is by keeping it a secret. (The recipe for Coke is an example.) Unlike a patent, where you get a monopoly on that “idea” or “invention” for a certain number of years in exchange for publishing the “best method” of making that invention, there is no expiration for the protection term on a trade secret. However, if a competitor can “reverse engineer” your product or process, you lose it, unless they are contractually subject to a duty of confidentiality to you.

Trade Dress, Trademarks and Servicemarks. Trade dress protects the “look” of your product or establishment, while *trademarks* and *servicemarks* are awarded for words (e.g., tag phrases or words/brands) or pictures (logos) or other methods that are used on a product or service to denote its maker.⁸ An example of trade dress might be the set-up for a Jamba Juice® juicebar. We will not go into this in too much detail in this handout, as one cannot register to protect “trade dress”; it is usually found as a cause of action in an infringement lawsuit, where a competitor copies the “look and feel” of another party’s method of doing business. The basic thing to remember with trade dress is not to try to entice your competitors’ clientele to you by being “just like them.” Though imitation may be the sincerest form of flattery, it’s also a great way to get a “cease and desist” letter – which can ruin your whole day.

⁵ I am an employee of my company, and wrote this article in the “scope” of my employment. If this was not the case, my company would not hold the copyright, I would hold it individually. More on that below.

⁶ Copying is necessary for finding infringement; independent creation without reference to the other party’s work is an absolute defense.

⁷ Note, the patent holder might not themselves have the right to make that invention, if it is a “novel change” on something already patented (in which case the new patent holder would need to have a license from the previous patent holder, to make that invention). But the patent holder can thereby “block” the original patent holder from that new/novel use.

⁸ Even color – such as the pink of Owens-Corning insulation – has been deemed trademarkable.

Trademarks and servicemarks protect words, slogans, phrases, logos, symbols, colors or other methods used on goods or services on the market, to designate that they originated, are sponsored by, or are endorsed by the mark owner. Therefore, that owner can sue anyone who uses their mark in a way that is likely to lead to confusion as to the origin, sponsorship, or endorsement of the goods or services associated with it. A trademark or servicemark is often also called a brand.

Trademarks and service marks *are* protectable through common law, and on both state and federal registries. Only unique marks can exist within a given channel of commerce, to avoid “consumer confusion.” General terms cannot be registered. Even if you do not register trademarks for your own terms (which you should – if they are good, someone else will!), it’s always wise to check to be sure a “darling” tag line or potential new company name is not already registered or used by another party!⁹ If you would like a lot more information on trademarks, please see my Trademark 101 handout under the SWATlaw[®] speech entitled “*Trademarks 101: What Every Business Owner Needs to Know.*” I will go into some trademark issues here, but that handout goes into far more depth than this overview, and covers actual process issues.

How long does the protection for each last?

Trademark rights continue indefinitely so long as you use that mark on the good or service. Federal trademark registration will continue, so long as the mark (a) is not abandoned by the trademark owner (usually through failure to file paperwork to renew the term), and (b) it doesn’t become a “generic” term in the marketplace. A term becomes “generic” if use of the term begins to be separated from the company sponsoring a specific product or service – Xerox is currently fighting this battle with respect to its copiers. One thing to remember with respect to “abandoning” registrations is that the U.S. Patent & Trademark Office (“USPTO”) *does not give you any notification* that the term of your trademark is about to expire: you *must* keep track of the paperwork that you need to file and you *must* file it on time, or the mark will be abandoned.

Trade secret protection may also continue indefinitely, so long as you keep the process secret and subject to a strict non-disclosure agreement if you ever *do* disclose it to anyone; so long as no one reverse engineers your process or comes up with the process independently, it’s yours forever (ask Kentucky Fried Chicken or Coca-Cola).

The author of a literary, choreographic, or other work subject to copyright has a copyright immediately when an “original work of authorship” is “fixed in a tangible medium of expression.”¹⁰ Registration is not necessary, but it is inexpensive and gives advantages; it is a prerequisite to bringing an infringement lawsuit. The general rule for the past thirty years has been that

⁹An “infamous” example of a mark that wasn’t cleared was the name of the villainous weapons company in Arnold Schwarzenegger’s 1996 movie, *Eraser*. The name of the company in the movie was “Cyrex,” which sounded like “Cyrix,” the chip manufacturer. Cyrix complained after the movie was released in rushes, and the producer was forced to change the weapons company to “Cyrez,” through digital post production (though there are two scenes where you can still see the old name), and re-dubbing the words in the actors’ mouths. This obviously added to the price tag of the movie! This brings up a point for clearance, however — the normal searcher might miss this reference, unless a phonetic feature is included in their research tool(s). Since “sound-alikes,” and even foreign word changes, can be infringements (e.g., Chat Noir wine would infringe Black Cat wine, if “Black Cat” is already registered), you can see how tricky trademark clearance and use can be.

¹⁰ So, “extemporaneous” speeches and jazz “jams” are not covered – though if they are recorded or if there is an open phone line (yes, really), they can be deemed “fixed.”

copyright lasts for the author's lifetime plus 70 years after their death; for a work for hire (where the company may lose track of the author, so it would be difficult to know whether the author has died or not) it's the year of publication plus 95 years, or the year of creation plus 120 years, whichever is shorter. Works before the late '70s have different copyright terms, but this is the regime as it exists currently.

Patents have a non-renewable fixed term, usually 17 to 20 years. After this term is up, the subject matter falls into the "public domain," where anyone may exploit it.

I am setting up my website to advertise my fabulous services. I'm going to get some photos someone took at one of my seminars of my participants having a great time; I'm also going to use some photos of famous people that fit the personality profiles I use in coaching. Oh, and a headshot of myself that a photographer did of me a long time ago (but boy is it great!) I'm also going to use this fabulous version of my favorite song that my friend did on his synthesizer; I am definitely going to put my client's logos front and center. Oh, and my business logo, which a graphic designer did and I paid for under the table, uses some clipart. Plus I have some emails where clients gave me great testimonials, so I'm going to quote those. So, how do I list the copyright for my site?

From just your example, I anticipate you could be answering "cease and desist" letters for the rest of your life – then again, no one may even find out. But let's discuss clearance issues, so you can get an idea what's entailed in "doing it right."

The content of a product is "cleared" when the source of each product element is identified, and you establish that your company either owns or has an appropriate license to use the element. You will need to clear the IP rights that we have discussed above, but you will also need additional clearances from individuals to sign over their rights of publicity/privacy, or the right to use their name, image, or biography. There are also "moral rights" waivers for work that was produced for you – without having "moral" rights waived, each party who produced a photo (and certainly your logo's graphic designer) has rights that run "with" their creation. Some of these issues are discussed more fully below.

Non-employee issues. You need to have a writing assigning the rights to anything produced by independent contractors, as well as people giving you testimonials, non-employees in focus groups, beta testers – and anyone else who contributes information or materials that end up in a product, service, or packaging. The "work for hire" doctrine makes an employer, or a client with a sufficient written document in the independent contractor context, the "author" (owner) of the work for copyright purposes. If an employee, the work belongs to the employer if made "during the scope of employment." If not an employee, the work is considered a work for hire only if the parties agree in a writing that contains specific language. So if you are hiring subs to do work for you on a project for a client, and you don't have contracts with "specific magic words" with respect to works for hire, you don't own that work – and you certainly can't assign it over to your client as their contract might dictate. In sum, if someone wrote it/designed it for you, they own it. It doesn't make any difference how many suggestions you made regarding how the final artwork should look, or how much you paid for it — if the party doing the work didn't have a valid work for hire agreement, you only have a non-exclusive license to that work. At best.

License issues. If you only have a license to use an element, you need to understand your exact rights with respect to it. If you have a license to a work (e.g. a photograph), do you specifically have the rights you need? Do you have the right to continue to use the photograph forever? Did you only get the right to use that headshot for "personal" use, or do you have "public

performance” rights, so you can use it on your website without paying an extra fee?¹¹ Did you get the right of public display and performance?¹² (If not, you can't use it online or in trade shows). What about your ability to use the element in marketing and advertising, or for merchandising and spin-off products? Do you have “adaptation rights” for a photograph that you want to manipulate (including cropping)?

Another consideration with a website is that IP rights differ in other countries. For example, in civil law countries like France, “work for hire” doesn't really work. So if you have a French subcontractor writing your code, do you have a contract that states that California law applies?

Although not listed in the “kitchen sink” example above, if you are using another party's video (for example), you must consider whether the work contains elements that you need to clear separately. For example, is the video itself based on another party's copyrightable work, which must be cleared?

Photo/still image issues. There were a few different photographs mentioned above. One question that comes to mind (other than the obvious rights of the persons in the photos to their images and the rights of the photographer to his work), is whether these photographs contain works that themselves hold a copyright (architecture is subject to copyright, as is sculpture, fine art, etc.). Is there a recognizable home or location, for which you need a location release?

Other than that little zinger, we could start with the photographer's rights in the photograph itself. If someone gives you a photograph of themselves to use (e.g., a “headshot”), they need to prove that they have the right from the photographer to actually let you use the photo in the way you plan to use it. Without work for hire language signed by the photographer, they do NOT own that photograph, they only can give you the right to their image – but not to the photograph itself.

On the flip side, if you have clip art or stock photographs from a stock house, their boilerplate contracts state that it's your responsibility to clear the models used in the photo. So if you wind up using a “stock” photo of a person, especially if you use it in a fashion that the model finds unflattering (e.g., you sell a herpes medicine, and you use a stock photograph of a man to advertise it), you must have a copy of the model clearance, or risk receiving a cease and desist from that model that you are depicting him in a way that's either portraying him in a “false light,” or is “injurious to his reputation.” Again, a stock photo house usually owns the copyright in the photo

¹¹ If instead you're making software, do you have the license to use the content in sequels? Localizations of your product? In different platforms or media, or online? Did you get the right of reproduction? (In software, if another party is reproducing the CDs for you, which is usually the case, you must also have the right to “sublicense” this right.) Can you modify or make derivative works? Modification includes reformatting, porting, cropping, etc. If your license ends, do you have a “sell off” right for products already in the pipeline? This issue comes up not only with software but, for example, T-shirts if you are making them with a licensed logo for a limited time. A client recently found, to their horror, that they did not own the graphics that they are basing their entire branded identity upon, because they purchased them on an invoice – and therefore have no work for hire language. Worse, the graphic designer actually stated in their invoice (which was paid, indicating “acceptance”), that “use of the graphic” was “limited,” and only for a year, with no sell-off – now they are *very* stuck.

¹² The Copyright Act allows copyright holders to elicit payments for any “public performance” of copyrighted material as one of the “bundle of rights” afforded them. The law defines a public performance as “where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” Penalties for noncompliance can be stiff. The law sets fines up to \$ 25,000 or a year in prison, or both, for major infringements.

itself,¹³ but may not have the right to grant a right of publicity license or any rights in trademark or copyrighted materials depicted in the photo. As another example, just because a stock house provides a "cleared" photo of Sean Connery (or anyone) doesn't mean that they have the right to grant promotional or other use rights from that person himself – they are only allowing you to use the photo in this case of Mr. Connery — you need a clearance from Mr. Connery to use his likeness. Or as another example, a photo of a copyrighted work of art would involve obtaining a license to use two copyrights – one for the photo, one for the painting depicted.

Music. Music is probably the most complicated content to clear. There can be a handful of separate copyrights in a recorded piece of music, as well as union contract and other issues. Just because an underlying song is in the public domain doesn't mean the specific performance or recording is. Or, on the other hand, just because someone you know sings the song, doesn't mean you are not going to need to get licenses from the song's publisher, writer, and the like. There is also a misconception that it is acceptable to take a few notes or a few bars from a song without violating a copyright. There is no such exception for music.

If you are planning to "synch" the music to a visual of any kind, you must obtain all or most of the following licenses, which are monitored by disparate licensing organizations: mechanical; synchronization; print; videogram; public performance; grand performance rights; adaptation rights. This is before you get the permission from the artist him/herself. Usually, music clearing houses are your best bet if you want to use an actual known recording.

Even if your friend sings the song for you, don't forget you will need to obtain rights to the song itself. "Happy Birthday" is NOT in the public domain – if you're going to perform it "in public," even if you sing it yourself into a microphone, you must have permission to use the words and music. Ask the Girl Scouts.¹⁴

Movie/video clearance issues. Although the example above didn't mention movies, we might as well cover that here, too. If you get a boilerplate agreement from the movie house that you can use their clip (for which of course they charge you a pretty substantial fee), you need to read the fine print. Because it states that you are responsible for all other clearance issues – such as clearing the underlying work (novel, screenplay), any music in the movie, choreography (which is the subject of a separate copyright), and the rights of actors and other contributors (e.g., stuntmen, voiceovers, sound effects technicians). We could go into more of this, but I guess you get the "picture."

¹³ Although sometimes they only have a limited *license* to it – be sure you read their "boilerplate" contract, to be sure that you are using the photograph in the way your license states!

¹⁴ In 1996, the American Society of Composers, Authors & Publishers (ASCAP) informed camps nationwide that they needed to pay license fees to use any of the 4 million copyrighted songs written or published by ASCAP's 68,000 members. Singing or playing without paying is illegal. Like restaurants, hotels, bars, stores and clubs - which must pay a fee to use any copyrighted music that is not coming from a radio - camps, including nonprofit ones such as those run by the Girl Scouts, were told to pay up. The demand covered all songs – including those sung around the campfire. In one of the worst public relations disasters in memory, ASCAP's chief operating officer was quoted in the *Wall Street Journal* as stating: "They buy paper, twine and glue for their crafts - they can pay for the music, too"; and "If offenders keep singing without paying, we will sue them if necessary." Now you know why they don't sing "Happy Birthday" (which is still under copyright) when you have a birthday party at a large chain restaurants.

Trademarks. Don't forget, you must have permission if you include third party trademarks in the background of any of your work,¹⁵ or in your text . . . some items that are trademarked, and therefore need permission, include the following that that you might not think are trademarked:

- * The Indianapolis Motor Speedway or the word "Indy";
- * Mention of a JetSki or Kleenex;¹⁶
- * A distinctive building, such as the Transamerica pyramid, when used in a way that suggests an association with or sponsorship of the product or service;
- * A famous golf hole;
- * Distinctive colors and numbers for professional and collegiate sports uniforms (important if you work for a software company and are making a football software game!).

Whew. OK so now let's pretend that all the content is cleared. How do I protect *my* IP?

First, you should identify the 'crown jewels' developed by your company. If an invention or process is the basis for your business, you should investigate patent protection. Or perhaps you have been selling the product for over a year (so patent protection is now barred), but you can protect your process through trade secrets. After you figure out the protection for the underlying "idea," it's time to look at your brands. The name or logo of your business should be protected under trademark law, as the source of your products and services. Then your individual product or service names – or even names of items in those products or services (for example, character names, in a software product), should be researched and, if important, protected. Then, depending on the type of business, certain elements of your products or services might be protectable under copyright law (such as source code).

Now for a little bit more information on each of those protections in turn.

COPYRIGHT

Historical background.

Copyright protection stems from Article 1, Section 8, clause 8 of the U.S. Constitution, which states that "Congress shall have the power . . . to promote the progress of science . . . by securing for limited times to authors . . . exclusive rights to their writings." The US Copyright Act, which was enacted pursuant to this constitutional provision, grants the holder of a copyright an exclusive "bundle of rights" with respect to that work. The holder has the exclusive right to, or to allow others to, reproduce/copy the work; prepare derivative works based on the work; distribute copies of the work to the public by sale or other transfer of ownership, or by rental, lease or lending; *perform* the work publicly (in the case of literary, musical, dramatic and choreographic works, pantomimes, and motion pictures or other audiovisual works); and *display* the work publicly (including individual images of a motion picture or other audiovisual work).

¹⁵ For example, if you are making a movie and a character is drinking Coke, you might think that it's a product placement and therefore "good advertising" for that company, but in actuality, you need clearance from Coke to use their trademark.

¹⁶ Usually clients get in trouble when they are using terms like this in a "generic" fashion. For example, "our makeup is so baby soft, just like kleenex!" or "our new kid's jetski toy is safe for ages 10 and up." In each of these cases, you are not referring to the actual trademarked term, you are using that term in a generic fashion. This is a particularly easy way to receive a cease and desist letter. When I was working for a large software company, we were giving away a "chackki" in the software box, that was a small "jetski" toy (hence, my knowledge in this area). If the box had not been changed to delete the reference to "jetski" as a generic term, Kawasaki could have sent us a cease and desist for trademark infringement, disgorgement of profits, and box recall – after, of course, millions of copies of the product would have been printed and out on the international market for Christmas!

Anyone who does any of these things without the copyright holder's permission is an infringer.

Historically in the United States, federal copyright existed only after the author had properly marked, published, and registered the work. This is due to the fact that the United States in its infancy was a "third world" country, and wanted to make it easy for works to "accidentally" fall into the public domain. As of the mid-1980s, the United States decided to sign on to a European treaty, to have its copyright laws more in line with the European model. Since the copyright law no longer requires the use of copyright notices (although there are still advantages to using them), you cannot assume something is not copyrighted just because it does not have a copyright notice.

What sort of works can be copyrighted?

The Copyright Act lists what works are specifically copyrightable. They include the following:

- * literary works (including source and object code, books, letters, email, and the like);
- * musical works, and accompanying words;
- * motion pictures and other audiovisual works;
- * dramatic works, and accompanying music;
- * pantomimes and choreographic works;
- * pictorial, graphic and sculptural works;
- * sound recordings; and
- * architectural works.

So long as it's a work covered by the copyrightable list above, the merit, quality, or inventiveness of the work has nothing to do with the validity of a copyright, so long as the work is original (not itself copied). Yes, this means that doodles are the subject of copyright, immediately after being "fixed in a tangible medium" (e.g., doodled on a napkin!) And on the flip side of the same coin, infringement doesn't depend upon the work being of any specific quality. If a work is a reproduction, in whole or in part, of a copyrighted work, or a derivative work based on the copyrighted work, the reproduced work infringes the first work's copyright.

Although the above list seems to cover just about everything, some material is generally not eligible for copyright protection. These include the following items:

- * works that have not been "fixed in a tangible medium." For example, improvisational speeches or performances that have not been written or recorded;
- * Titles, names, short phrases and slogans; familiar symbols or designs; mere variations of lettering or coloring; listings of ingredients or contents (e.g., the ingredients in a recipe are not copyrightable, but the method of preparing those ingredients into the final outcome is copyrightable);
- * ideas/principles/concepts/facts;¹⁷
- * Information that contains no originality (e.g., a list of weights and measures).

What if I made the work with someone else?

In a compilation context, the copyright in each separate contribution to a compilation (such as a periodical or other collective work) is distinct from the copyright in the compilation as a whole. For joint works, Section 101 of the Copyright Act states that two or more authors must have prepared the work *with the intention* that their contributions be merged into "inseparable or interdependent parts of a unitary whole." The classic example is music and lyrics (Rogers & Hammerstein).

¹⁷ Remember, "facts" about a fictional character are copyrightable, because they are NOT "facts" in reality!

In our judicial “circuit” here in California, the contribution of each author must constitute separate, independently-copyrightable subject matter for joint authorship status to arise. As an example, if a photographer is hired to do a picture for an ad agency and the agency takes care of all the clearances, the art director commands how the photograph should come out, etc. – those actions are *not* “separate and independently copyrightable.” Therefore, the photographer is sole author of that work and holder of its copyright – so the ad agency must have a writing with an assignment and work for hire language.

Here are some of the standard copyright “whinges” – have you used any of these? Do you know better now?

“The work I want to use doesn’t have a copyright notice on it, so it’s not copyrighted. I’m free to use it.”

“I drew this with my own hands – sure I was looking at/inspired by the other work, but I drew it/wrote it/sang it myself.”

“I don’t need a license because I’m using only a small amount of the copyrighted work.”

“Since I’m planning to give credit to all authors whose works I use, I don’t need to get licenses. I’m not a plagiarist!”

“My work will be a wonderful showcase for the copyright owner’s work so I’m sure she won’t object to my use.”

“I don’t need a license because I’m going to alter the work I copy. People aren’t even going to recognize it.”¹⁸

“I’m just using the photo/movie to illustrate a point I’m trying to make in my coaching – it’s not infringement if it’s just an example.”

I can’t believe I’m a pirate! I figured this was all fair use! Everyone does it!

People often think “plagiarism” is the only form of copyright infringement. “Plagiarism” is, basically, copying someone’s work and trying to pass it off as your own. Unfortunately, that is not the only way one can infringe. If you “base” your copyrighted work on another party’s work, you are infringing their rights to make a “derivative” work of that work. Again, we are once again in the realm where you are an infringer, and you might have some “defenses” to your infringement. But never forget, by searching for a defense (such as “fair use”), you have already pirated (stolen) someone else’s IP. You’re just trying to declare it doesn’t “hurt” them. And while you might not feel it “hurts” that you did this, it’s often because they can’t see the diminution of their work due to your theft. As an example, if someone owned a wheat field and you stole a little to make a cake, they might not be able to tell it was “their” wheat in that cake – they might not be able to even tell that they have less wheat. But that doesn’t make you any less a thief. In this context, you *know* that you have stolen something that doesn’t belong to you. In the IP context, people always try to “justify” their theft. It’s still illegal.

¹⁸ This is a very standard “whinge” in the music industry, especially when someone uses another artist’s album to do “scratching” in the background. No good.

Because copyright infringement is the unauthorized use of a copyrighted work in a manner that violates any of the owner's exclusive rights in the work (these were listed above), a copyright owner may obtain an injunction to stop an infringement. That means that they can get a restraining order against you, to stop your use. In addition, a copyright owner can be awarded either statutory damages or actual damages, and your profits from the infringement. They are also generally awarded attorneys' fees and the costs of bringing the lawsuit.

What are "statutory" damages?

So long as the work was registered with the Copyright Office prior to the infringement, copyright law states that the owner doesn't need to prove "actual" damages – they can be awarded damages in accordance with a statute without any proof that it actually did them any harm. You stole it – you pay. These damages can be awarded "in a sum not less than \$500 or more than \$20,000." However, if the court finds that you knew the work was copyrighted and still used it, it can award statutory damages of up to \$100,000 for each work infringed.

Let's look at an example. You decide to show a bunch of music videos on the side of your building for the public as a publicity gimmick. Anyone can come. Therefore, there are no "profits" from your little venture. However, you can see that the videos all have copyright notices on them (which you ignore). This means you are a "willful" ("non-innocent") infringer. One of the "bundle" of copyright rights is the right of public display. Ignoring the publicity infringement claims that the music video artists might have against you by publicly displaying those music videos without authorization, you are violating the copyright of the video itself.

If the video copyright holder had to either prove actual damages to the court or ask you to "disgorge" your profits, this could be a fairly low figure. Actual damages would equal whatever the licensing fee would have been if you'd asked the publishing house directly – let's say \$1,000 per video. However, if the court concludes that the infringement is willful, you can be liable for up to \$100,000 in statutory damages for each time the video is displayed without authorization! If you have a lot of videos and you loop them – this could add up. As you were a "willful" infringer, the copyright holder can also be awarded all their fees and costs of the lawsuit. Ouch.

What is "Fair Use"?

In short, "fair use" is a defense to infringement. If you use copyrighted material in a manner that otherwise would infringe the rights of the copyright owner, you might be able to invoke the "fair use defense" in an infringement action. The defense is typically raised in non-commercial contexts, such as educational activities, literary and social criticism, and parody.

In proving your "defense" of fair use, there are four factors that courts use to determine whether they are going to let you out of the infringement. They are very subjective factors, and if you are making any money on your infringement, you are going to have a very tough row to hoe.

1. The purpose and character of the use. Is your use for a "commercial" purpose? In other words, do you, the infringer, "benefit commercially" by using the copyrighted work? (Are ya makin' money? Did ya use it? Bad.)
2. The nature of the copyrighted work. Is your use of the copyrighted work primarily factual, such as news reporting or use for editorial purposes?¹⁹

¹⁹ Again, be careful here – it has been held not to be fair use to take used car values in a chart, because they represent an "exercise of judgment," not just a collection of information/facts; as noted before, "facts" related to fictional characters are *fictional*, and therefore never subject to "straight factual reporting."

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole. Did you steal a relatively small portion of the copyrighted work, or a relatively insignificant portion? In this case, however, you can steal just a tiny snippet and it still can be considered “unfair” — examples include showing the crucial last few minutes of a copyrighted film in which the villain is revealed. In Harper and Row Publishers Inc v. Nation Enterprises, the U.S. Supreme Court held that Nation magazine’s publication of just a few paragraphs from the memoirs of former President Ford was not fair use, because the excerpt taken was the paragraph explaining why Ford pardoned Nixon – which was the main reason people would buy the book in the first place (or so thought the Supremes).

4. The effect of the use upon the potential market for or value of the copyrighted work. Does your derivative work make it harder for the copyright holder to license out or expand their rights to make their *own* derivatives of their work? An example that might not be considered “fair use” could involve a movie made from or substantially similar to a novel, to which the movie maker did not obtain the rights. Even though sales of the novel might rise as a result of the picture, the use of the copyrighted novel is not fair use, because it adversely affected the novel author’s right to sell the novel for use in motion pictures.

Just remember, if your product is “inspired” by another party’s copyrighted work, you are making an unauthorized derivative work, and can be sued. Neil Diamond certainly found this out when he was sued over his song *Heartlight*, which Steven Spielberg’s company held was an unauthorized derivative work of the film *E.T.*²⁰ When I was working for a large software company, one of our graphic design contractors found this out to *his* detriment when we were called by an attorney, who stated that our contractor had utilized his client’s Civil War oil painting in work that he had done for us – which we were using on the front of our retail software box. The story is actually even worse than it sounds – the attorney had called our marketing department, who, without contacting Legal, gave the attorney our contractor’s number directly to “sort things out.” When the attorney questioned our contractor, he stated indignantly, “No way, I didn’t infringe – I looked at that painting, but I drew my figures with my own hands!” The attorney, in his call to me, was laughing and trying to decide just how *much* he was going to sue us for – as this admission alone was a direct admission of infringement. Luckily (for us) we had an indemnification clause in our contract with the graphic designer – let’s just say that it didn’t get pretty, and he got to keep most of his assets . . . (why one should be incorporated is the subject of an entirely different lecture).

What if my work is a parody?

A “real” parody engages in “comment and criticism” of the original work, and is traditionally protected by fair use. However, if the parody adversely affects the market for the original works or derivatives of those works, it is more likely that the parody would *not* be considered fair use. An example of this is the case of Campbell v. Acuff-Rose Music, Inc., where Ice-T made the song “Don’t Touch This,” a rap version of Roy Orbison’s “Pretty Woman.” Ice-T (Acuff-Rose Music) claimed that his work was “transformative,” and a parody. The plaintiff argued that his use

²⁰ Diamond had been silly enough to say in public that he had been “inspired” by the movie *E.T.* to write *Heartlight*. One can be inspired by a sunset, a tree – but not someone else’s copyrighted intellectual property. In law school, the old adage was that you can draw Whistler’s mother (e.g., sit her in a chair, and draw the exact image of the famous painting), but you can’t draw *Whistler’s Mother* (the painting) or you’re infringing. Yes, I know, *Whistler’s Mother* is probably in the public domain by now, but you get the point. ☺

adversely affected Roy Orbison's ability to make or license out an "authorized" rap version, and was therefore not fair use. (Like the Spielberg/Diamond case, this one settled.)

Is there any benefit to registering my copyright with the Copyright Office, since I am not actually required to?

As with trademark registration, copyright registration can be beneficial: it establishes a public record of the copyright claim, and is required before an infringement suit may be filed in federal court. If you make software, you can file your copyright registration with the Customs Office, which can then seize and destroy any counterfeit or grey market goods coming into the country for software covered by your registration. And registration is inexpensive and available on the Copyright Office's website.

If you are contemplating an infringement lawsuit, you will need to register the copyright so your suit can be filed quickly. Even if you aren't contemplating a lawsuit, there is an incentive to filing: you can only obtain the statutory damages mentioned above if the registration is made within three months after publication of the work, or prior to an infringement of the work. This gives you the ability to obtain statutory damages and attorneys' fees. And don't forget to mark your work with a copyright notice, even if it's not registered – it would be hard for an infringer to claim "innocent" infringement when every page has your copyright notice at the bottom!

TRADEMARK/TRADE DRESS

Historical Background

Article 1, Section 8, Clause 3 of the U.S. Constitution granted Congress the power "to regulate commerce with foreign nations and among several states, and with the Indian tribes." This part of the Constitution is usually referred to as the "Commerce Clause." This clause has been heavily used as authority for a wide spectrum of federal regulation; Congress has used the power granted to it under this clause to regulate activities that could in any way affect commerce between states. The Lanham Act is the statute enacted based on the Commerce Clause, allowing the federal government to regulate trademarks on goods and services in "interstate commerce" on a nationwide basis.²¹

While a copyright protects the expression of an idea and a patent protects the idea itself, a trademark protects a manner of showing "source" to the public. In other words, trademarks (and servicemarks, which are used on services) denote the *origin* of a good or service. Trademark law is basically aimed at preventing consumer confusion between sources of varying products and services. Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. In short, a trademark is a brand name.

If trademark is a designation of source, what can be a trademark?

A trademark can be just about anything, such as a name (including company names, characters, or character names),²² words, letters, numbers, slogans,²³ designs, pictures, distinctive

²¹ For goods, "interstate commerce" involves sending the goods across state lines with the mark displayed on those goods or the packaging of those goods. With services, "interstate commerce" involves offering a service to those in another state or rendering services which affects interstate commerce (e.g., restaurants, gas stations, hotels, etc.)

²² Examples include IBM, Beatrix Potter/Peter Rabbit bunnies, or Sherlock Holmes (and his hat/cloak and pipe). As a point of interest, the Lanham Act protects the names and nicknames of entertainment characters, as well as their physical appearances and costumes, but not their physical abilities or personality traits. In this way, Marvel® comics can have a superhero that has certain physical abilities or a certain

buildings,²⁴ typeface names,²⁵ sports stadiums and raceways,²⁶ distinctive shapes,²⁷ distinctive colors,²⁸ distinctive golf holes, sounds,²⁹ or any combination of the above. Although discussed more in depth in the Questions and Answers for another speech in the SWATlaw® series, entitled *Trademarks 101: What Every Business Owner Needs to Know*, there are some basics about trademarks that will be discussed here. For example, trademarks must be adjectives (followed by a generic noun for the product or service), they must neither be generic nor merely descriptive of the product or service, they must be used physically on the product/container or in an advertisement for the service, and they must be used in interstate commerce to qualify for Federal protection.³⁰

What does it mean that a mark must not be "generic or merely descriptive"?

Because a mark must denote "source" to the public, it must be distinctive. Some marks are considered "inherently" distinctive, as they immediately and directly mean "source" to consumers. The best example of this would be a made-up word attached to your product – for example, a Xyxyxst skateboard. If you made up that brand, it's unlikely that the public will think of any other party's skateboard when they hear "Xyxyxst." The idea is to have "incongruity of meaning" between your trademark and your product or service. When consumers come across a brand that is "sufficiently incongruous" from the common meaning of its product/service, they are more likely to think "source" – which means it's likely trademarkable. The phrase or brand is instantly tied in their mind to your offering, instead of generically meaning the product or service itself. In the above example, a Skateboard skateboard is not trademarkable – the "brand" will not denote source to the public. What about an "EZ Skate" skateboard? Perhaps – but not as easily and quickly as Xyxyxst! In that case, there is no other option but to understand that the word or phrase "means" source.

What are some of the clearance issues related to trademarks?

It is important, when using a term in business copy, to make sure you are not using another company's trademark as a generic term. Woe betide the copier company that states in an ad that their copy machine can be used to "xerox paperwork", or a toy company advertising a new jetski for kids! Xerox® and JetSki® are registered trademarks, and their owners will vigorously defend them. This is especially true for trademarks that do *not* immediately denote "source" to the public

personality that will not infringe a similar DC Comics® superhero, so long as that Marvel superhero's name, nickname, costume and physical appearance is not similar.

²³ For example, Got Milk; Milk Does A Body Good. NOTE: Slogans and "catch phrases" may qualify for legal protection IF AND ONLY IF they are used and function as trademarks – their use must be tied to the source of that product or service to the public.

²⁴ Such as the Transamerica Pyramid.

²⁵ Lucinda Handwriting might be an example.

²⁶ The Astrodome; The Indianapolis Speedway.

²⁷ A Coke bottle or a Mont Blanc pen (e.g., if you buy a pen that looks a certain way and like it, you're likely to purchase another pen that looks that way because you think it is from the same manufacturer and will write the same way).

²⁸ Owens-Corning pink insulation.

²⁹ The NBC chime.

³⁰ One thing I am often asked – usually by the marketing department! – is how the ® and/or ™ (as appropriate) must be used on copy. They should be used next to the first and most prominent reference to your trademark on a page, but once so used, can be omitted from references to the mark on the same page if desired. Don't forget – do not use these designations on the name of your company, even if it's the same name as your brand! For example, a press release stating that "The Coca-Cola Company announces record earnings" does not use the brand, but a release stating "Coca-Cola® soda sales broke all records this quarter" does use the brand, and therefore must use the trademark designation marker.

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any more. Terms such as trampoline and thermos were once trademarked brands, but they were lost when the public stopped using these terms to mean that company's specific product.³¹

It is also important, when choosing your own trademark, not to choose a mark that can be confused with another company's mark. This can not only confuse the public, but also can make you liable for infringement! Before launching an advertising campaign or even changing your stationery, you should have a search done, and check for any prior uses of the same or a confusingly similar mark. An informal, inexpensive search can simply consist of a review of registered marks, and scanning the internet.

While it can be somewhat confusing, it is important to remember that a corporate/trade name is *not* a trademark, although it can function as both. Specifically, reserving a corporate name through a state agency, filing a d/b/a, or forming a corporation with a particular name will not establish trademark rights in that name. To establish trademark rights, you must use that name on your goods or services (and they must cross state lines, if you are filing a federal trademark registration). In fact, it is important to know that the state or local agency will *not* stop you from using an *infringing* name for your corporation or d/b/a – you're solely responsible for any clearance issues. So having a d/b/a or state corporation certainly will not trump a cease and desist letter, if that letter comes from a trademark holder who has used that mark prior to your first use. If you have already drawn up advertising, paid for business cards and stationery, and gotten your name "out there," this can be a serious blow.

Ownership of a trademark is determined by priority of commercial use of the mark. Therefore, since trademark rights are always acquired through use, a business that has used a non-infringing mark within a particular geographic area acquires common law rights within that area. No state or federal trademark registrant filing *after* this use date can take away those rights; however, they can "block" the common law user from any business expansion.

Trademark protection runs from this common law protection, through state registration, federal registration, and even international protection. On the federal level, trademarks are filed in a specific "class" of goods and services – each "class" that you register will cost you fees with the USPTO (currently \$335 per class for your initial filing), plus attorneys' fees if you have an attorney help you (my fees are generally \$250 per class, plus \$50 for each additional class filed at the same time). The USPTO will not allow confusingly similar trademarks to exist in a given class,

³¹ Trademark law does permit the use of another's mark (whether registered or not) without their consent if the use of the mark is made in good faith to describe the goods or services (for example, a computer store using the IBM trademark to show that they sell IBM product), or to accurately indicate compatibility with another good or service (for example, if you are making software, you can use the trademark Windows® to list that the software is "Windows®-compatible") This is a form of fair use defense to infringement. Your use must not hint at sponsorship or endorsement of your product or service by the company whose logo or name is being used, however – that is one of the specific rights guarded by trademark. Like copyright, there is also a parody "fair use defense" — a successful trademark parody must conjure up the image of the original trademark while at the same time distorting one or more of its features in a way that will be clear to the viewer. Given that the parodist's version of the trademark typically differs from the original in ridiculous ways, the average consumer is unlikely to believe that the parody is sponsored by the trademark owner. An example of a case in this area involved "Garbage Pail Kids" as a parody of the then-popular Cabbage Patch Kids® dolls.

but they can allow the exact same brand to exist in different classes. For example, “Arrowwood” can be a brand of bottled water, a tractor, a consulting service all at the same time. But note, the USPTO might *not* allow registration of that term as to an archery company that produces arrows – because in that case, the brand might not be “sufficiently incongruous” from the good.

Why register a trademark? You said I can have common law rights – why spend the money? Although you will have common law rights from your (non-infringing) use of the mark, registering a trademark heightens the protection your brand receives, deters others from using the trademark, and increases the remedies should someone infringe the mark. Although most if not all states also offer state registration, if you are using the mark on products or services that cross state lines, a federal registration will grant you exclusive nationwide ownership of the mark as tied to your product/service (e.g., class of goods), and it provides official notice that the trademark is already taken, so a company that later adopts a confusingly similar trademark cannot claim ignorance of the mark or “innocent” infringement. Moreover, if you have a website URL that uses your brand name, the holder of a federally-registered trademark can try to “snap up” your URL by logging their registration certificate with your hosting company – if your use pre-dates theirs, you can argue that you have common law rights in the URL, but the fight can often get costly even if “only” with your time, and hosting and registration companies usually consider that federal registration certificate to be very persuasive evidence. If you registered your URL *after* another party already had a Federal registration, then you can be forced to give it up as an infringing use.

If you file for federal trademark registration, the application will be examined by an attorney at the USPTO to determine whether it meets the requirements for registration and whether it’s likely to cause confusion with any other registrations or applications. It takes about six months from your initial filing to receive your “Office Action” from the Examining Attorney. Almost always, there is something that the attorney finds “wrong” with the application; you then get an opportunity to respond and correct any deficiencies.³² Once the mark then meets all the requirements, it will be published in the Official Gazette, and will be open for opposition by the public. For applications based on use, if no opposition is filed, the registration (the “circle R”) will issue if there is no opposition. For “intent to use” applications, the applicant must first provide an extra fee, and an affidavit or declaration that the mark has been placed in use. This applicant is allowed six months from the date of application to file a statement of use, or the registration will be deemed abandoned. The whole process usually takes about a year to a year and half – but during that time, you can use the “™” mark on your brand, to indicate to the world that you are in the process of registering your brand with the USPTO. The official registration symbol (®) may only be used after the mark has been registered with the USPTO, but there are no restrictions on using the “™”.

Registration usually should be sought for every significant product and service offered under a mark, in order to obtain the broadest protection. For example, if your company makes jams and jellies and files for a federal trademark in that category, if they later expand into mustards, they must file again to expand that registration. In an infringement action, protection is limited to the specific goods and services identified in the registration – so it is important to list the broadest

³² One thing to note is that there are a number of companies that review the USPTO database, and send out very official-looking junk mail to all trademark applicants. One is from a trademark “calendaring” company, another is from an attorney who notes that “you have probably received an Office Action” and “if you do not respond correctly to this Office Action, you can lose your trademark.” Be aware that this junk mail will come to you about a week or so before you receive your formal Office Action from the USPTO. I instruct my clients to toss it – just be sure, of course, that you don’t toss the actual official Office Action from the Patent & Trademark Office! ☺

offering of goods/services that you have “used in commerce” on your registration, to save money, time and effort of re-filing later to add more products/services.

Other related terms you may hear are “trade name” and “trade dress.”

A trade name is a commercial name – any name used to identify a business or vocation. Trade names are not registerable under the Lanham Act – but identical words that identify goods or services are, if they are functioning as trademarks. This is often where things get confusing – you have Coca-Cola® soda, but also the Coca-Cola Company (no ®).

Trade dress refers to the total image of a product, or, in other words, the way a product or service is presented to consumers. It could include features such as size, labels, shape, texture, graphics, sales techniques, or any other configuration of a product or service’s characteristics or packaging. Sometimes there are cross-over issues with trademark and trade dress, but usually trade dress involves more of the “totality” of the business presented to the public. A very famous case concerned the interior/exterior of a Mexican restaurant, which another restaurant had copied. This was found to be an infringement of the first company’s rights under trade dress, though they had not been careful not to copy the actual trademarks (brands) used by the first restaurant.

MORAL RIGHTS/“OTHER” RIGHTS

Moral Rights.

Moral rights are recognized primarily outside the United States, but the Visual Artists Rights Act (VARA) is Federal law, and you should be familiar with the rights it grants to authors/artists. Moral rights generally fall into one of two categories: (a) attribution (an author’s right to require that her name be used in conjunction with a display of a work – even if it’s a work for hire); and (b) integrity (an author’s right to prevent distortion, mutilation or modification of his work). An artist or author can waive these rights contractually in the United States. This is particularly important if you are (as an example) commissioning an artist to draw a large graffiti-like work on a wall that you might ultimately want to paint over, or you are installing “landscape art” in the garden of your hotel. There have been a number of cases in this area, and the artist often wins. Be sure to have these rights assigned to you – it might not work in France, but it does in the U.S.

Rights of Privacy and Publicity.

Every person has a right to his or her privacy. The right of privacy generally covers public disclosure of private facts, or placing a person in a “false light.” The right of publicity is a legal right that every person has to the use of their name, photograph, likeness, face, image, signature or voice.

Each of these rights applies to everyone, not just to public figures. Public figures do get to hold these rights a bit longer though — the estate of a deceased person continues to hold the rights, if there was “commercial value” in that person’s identity before they died.

So say you license a photograph (or in particular a stock photo) of a person doing something, and that person is recognizable (it’s not just a “crowd shot”). You need a contract that not only specifically gives you all the rights you need from the photographer, but you *also* need to be assured that the photographer has the rights to use that person’s image in the manner you desire. If your contract with the photographer doesn’t have indemnification – or if the photographer is poor and can’t defend you, even if there is an indemnification clause – you can be on the hook.

TRADE SECRETS

Trade secrets are usually used as an alternative to patents to protect ideas or processes, because patents are time-limited, require disclosure, and are expensive to get. Trade secrets stay protected for so long as they are secret.

A “trade secret” is defined as confidential information that allows one business to have a competitive advantage over another. Like what? Customer lists.³³ The recipe to Coca-Cola or Kentucky Fried Chicken. To be a trade secret, the information must have been subject to reasonable attempts to *keep* it a “secret,” and must provide actual or potential economic value or a business advantage to the one who possesses the information.

The law of trade secrets prohibits “misappropriation” of this information. “Misappropriation” includes wrongful use or acquisition, including industrial espionage, or breach of a duty to maintain secrecy.³⁴ Although, in the case of an employer, the law places the burden on the company to establish that the employee misappropriated a trade secret, non-disclosure agreements shift the burden from the trade secret holder having to “prove” that the defendant “knew” that they shouldn’t take this information or make the information public. The remedy in most cases is an injunction – an “equitable” remedy that prevents the infringer from using that information or basing any business on that information. If the infringer has made any profits based on theft of that trade secret, of course, those will likely also be “disgorged” to the rightful holder.

PATENTS

Historical background.

The granting of certain rights in exchange for technological and creative contributions to society dates back to Biblical times. In the Greek colony of “Sybaris,” in 500 B.C., cooks who invented outstanding dishes were granted a “monopoly” on the preparation of that dish for a year. A bit later, Article 1, Section 8, Clause 8 of the U.S. Constitution granted Congress the power to enact patent laws, stating: “The Congress shall have the power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” The first U.S. Congress established a patent system in 1790. Patents protect inventions and improvements to existing inventions.

What is a patent, and what is patentable?

In general, a person (never, ever a company) who invents or discovers something new, useful, and non-obvious may apply for a patent. In return for disclosing the best way to make or use that invention, the U.S. government grants the inventor the right to prohibit or *exclude* others from making, using, offering for sale or selling the invention in the United States, or “importing” it into the U.S., for a term of years. (As indicated at the beginning of this document³⁵ this does not mean that the patent holder is affirmatively granted the right to make, use, offer for sale, sell or import.) After that term is up, the invention is part of the public domain, and, as the patent lists

³³Though it’s illegal in California to have a ‘covenant not to compete’ in an employment or other contract, it is *not* illegal to stop someone who works for you from stealing your trade secrets. So if you are afraid that an associate you are bringing into your business might actually find out your secrets and then set up shop in competition, don’t try to hamstring them with a covenant not to compete; instead, make them sign an NDA, which states that your customer lists, etc. are a “proprietary trade secret.”

³⁴Note, it does not include reverse engineering or independent derivation.

³⁵OK, I know, that was a long, long, LONG time ago. Just imagine if you’d *written* all this. It’s even longer for me.

the best way to make and use that item, anyone of ordinary skill in that art can then make or use the product or process for free.

In general, it takes about \$10,000 to file the initial paperwork for a fairly simple patent. Though there are "do-it-yourself" books out there, it's really difficult to do it right. If you're contemplating filing a patent, hire a competent patent attorney.

What is a "provisional" patent?

We really aren't going to go much into patent law here, but this is a question that I'm often asked. In obtaining a patent, you must apply for that patent within one year of a product containing your patentable process or invention hitting the market, or you will be barred from filing the patent (and therefore must be careful to protect it as a trade secret, if you want it to remain your property). A "provisional" patent allows you a bit of extra time to make the patent filing, if you're facing the on-sale bar of one year from making the invention public.

You *cannot* file a provisional patent (a fairly cheap process) and then put "patent pending" on the invention. The Patent Examiner doesn't even read the claims on a provisional – they just put the document in a folder, extend your time to file a real patent, and wait for the real patent application. You can place "provisional patent applied for" on the invention, if you want to, but not "patent pending."

I've heard that you can get a patent on the way you do business. That sounds like a great way for me to make a lot of money – I'll "corral" my method, and then sue anyone who comes close. (Or license it, if I'm feeling nice.)

"Business method patents" were all the rage in the '90s. When the U.S. Patent & Trademark Office ("USPTO") allowed State Street Bank to patent the "way" it handled claims, it opened a whole new vein of revenue for patent attorneys.³⁶ As opposed to sending in a blue print for your novel new product, you sent in a "flow chart" of your business method, which you believed was novel enough to deserve protection.

Patents are expensive – just the first filing is usually about \$10,000. And the USPTO has backed off business method patents, so if you are in a service business, it's usually mostly a pipe dream if you think that you can get a patent on your "way of doing business."

OK, OK, one more patent question. I have a website – and I understand that there are companies out there that are sending out "cease and desist" letters, saying they have patents on everything from the Internet itself, to shopping cart technology and hyperlinks. What is that about? No one can own these things, right?

Unfortunately, wrong. In the patent process, the Examining Attorneys are often very overworked. And the system is flawed. Let me explain.

³⁶ To become a patent attorney, you need to have a Bachelor's degree in "science." When I was getting my B.A. many, many moons ago, I considered majoring in Biology, but the prevailing wisdom was that Economics was a better "backbone" for a business person. That became the basis of a Masters in International Business. Of course, I use neither of those degrees now. Had I known then that a "science Bachelor's" would be a prerequisite for passing the patent bar, I might have gone the Biology route. Be this a lesson to you, if your son or daughter is interested in science and might want to be a lawyer some day – even a non-science lawyer like me! Let them major in the science degree, so it doesn't foreclose their options as an attorney. They may not *want* to pass the patent bar – but with that "Poly Sci" degree that's supposed to be such a great base for a law degree, they'll foreclose that option forever.

In both patents and trademarks, there is a process whereby the party filing the patent (or trademark) needs to do some research, to see whether the new filing will infringe upon other already-filed IP. The attorney needs to “swear” that they have done this, and that they haven’t found anything on point. The problem with this is that it’s immensely difficult to search in either of these two areas – for example, if you are trying to get a patent on a kickboard, you might search the patent database (and the millions and millions of issued patents) for the words “kickboard,” or maybe even the word “swim” or a Boolean search of “swim within 5 words of assist.” But let’s say that there is a patent out there that was issued on a “flat raft.” Your search isn’t going to find it – and the patent you’re filing might “read on” that patent exactly. So your kickboard might infringe that patent.

Similarly, if you are filing a trademark, you need to search the database for terms that are not only the same as, but also words that are similar to, the trademark that you’re trying to file.³⁷ As an example, in a wordmark filing, let’s pretend you want to file the trademark *How To Grow Your Business Without Driving Yourself Crazy*. You would also need to search on “making yourself insane”; “sending you to the loony bin,” “making you nuts” – you get the picture. What if you miss one?

Well, the USPTO Examining Attorney will, theoretically, come back with an Office Action that tells you so. In fact, sometimes, they will come back with an Office Action that found something they think is a “block” to your registration, that you think would *never* confuse the public. An example of this occurred when my client ‘Banana Spin’ (a retail juice bar) received an Office Action, barring registration of their trademark due to a beer called ‘Spin,’ an online kitchen services company called ‘Spin Kitchen’, and a number of other blocks. We were able to successfully argue that the audience for the various products was different enough that it would not cause confusion, but that is not always the case. Examining Attorneys are human too, and sometimes (it seems) unfair in what they do or do not allow. And though there is an “appeals procedure” to the TTAB (Trademark Trial Appeals Board), the process is so long and expensive, that only large companies really consider it.

Um, where were we?

Oh, OK, so back to the patent discussion. Once a patent attorney puts the patent application in for examination, the Examining Attorneys need to search the prior art (just like the filing patent applicant, or their attorney, was supposed to do), to see if there is any public domain process or product that pre-dated the new invention by a year,³⁸ or if there is a registered patent that actually blocks this invention.

The problem is that it’s difficult to search on something that isn’t in a database. The Examining Attorneys are adept at searching what *has* been filed – but it’s immensely difficult to search on what has *not*.

That is why there is an “opposition period” for patents and trademarks. Every patent or trademark that is approved in theory by an Examining Attorney is “published for opposition.” During this period, anyone who feels that the patent or trademark either is trying to scoop up something that

³⁷ This is particularly difficult if you’re filing a logo mark, as you need to “describe” the logo, and hope that your words somehow “hit” on a trademark that’s in the database.

³⁸ If the invention that the inventor is trying to patent (or something enough like it) was in the public domain a year before she filed, the inventor cannot then “capture” ownership of that invention.

the inventor shouldn't own (in the patent area), or trying to own a phrase or logo that belongs to them (in the trademark area) gets to protest to the USPTO (for a fee, of course).

What's wrong with this? I'll tell you. When was the last time you looked at the Official Gazette, to see if your competitor has filed *your* logo or tagline as *their* trademark? Or that you read the patents that were published for opposition, to see whether someone is trying to "own" IP that is already in the public domain?

This is how a lot of the patents get through. A lot of patents, especially from the late 80's, are so broad, they "read on" (e.g., give the patent holder a patent right in) things like hyperlinks, and even the internet itself – things that "people have used for forever." The Examining Attorneys at the time were likely not particularly versed in "internet law" – who was, in the 80s and early 90s? – and no one filed an opposition. The problem is, once a patent (or trademark) issues from the USPTO, it's presumptively considered to be valid.

This is a big problem. "Petitioning for re-examination" of someone else's patent (or trademark) takes a lot of dough. So no one usually does it. The patent holder then can use the patent as a weapon, going out (in the Internet arena) and suing smaller websites that are "infringing its technology" – and of course asking for a "minor" fee in exchange for NOT filing an infringement lawsuit against them.

This has happened to a number of my clients – and it is *immensely* frustrating. Why? Because my clients generally want to fight – they KNOW that the patent can be invalidated. But most of the patent holders have contingency fee attorneys, who receive a percentage of the "loot" that issues from that cease and desist letter. And of course, *defendants* never get the luxury of hiring someone on contingency. So, to fight, the defendant must hire a patent litigator, and file a response. This can cost many \$10,000s, just for the *initial* response to a patent infringement claim.³⁹

The inventor/plaintiff knows this – so sets the "license fee" (ransom) at an amount less than it would cost to fire off the first response to a lawsuit. And they generally don't hit up the BIG companies, who would rather fight than pay (and who have the money to do so). No, instead they go for the smallest websites that they can find, who don't have a chance.

I'm more interested in something you said above – that my competitor might steal my tagline – what do you mean by that?

Just like in the patent area, the nascent trademark is "published for opposition." During this opposition period, as I mentioned above, you are allowed to complain that the company filing the trademark should not get that trademark. The problem is, again, the public doesn't generally read the Official Gazette – so you can be out of luck unless you are big enough to have hired a trademark attorney who specializes in these things and keeps their eye on the Gazette for you (and knows all about your business and its current or *potential* taglines or brands).

And once a trademark issues out of the opposition period and is registered – there is no inexpensive, foolproof way to complain about it. As my Trademark handout discusses in more detail, you can likely continue to use your tagline or brand name if you can prove that your use pre-dated their filed use date, but you are geographically circumscribed and can't sell the product

³⁹ The defendant needs to file an enormous brief explaining (usually) why the patent is invalid. This takes a lot of research, which is expensive.

or service with that brand on it anywhere outside the area you sold it at the time they filed that trademark. And if their claim pre-dates any evidence you have for your use – you can be deemed an infringer, period.

Let me give you an example that happened to a client. She had come up with a name for a service that she invented. The name was catchy, and in fact started to be picked up in her industry by her main competitor. She called me to find out how to protect that service name, and we discussed filing a trademark on it.

When I looked the name up in the USPTO database, however, I discovered that it was already a registered trademark. I mentioned this to her, and she said that was impossible – she had invented the phrase. I searched on the status, and told her it had been filed by XYZ Company – you guessed it, her main competitor. The dead silence on the phone was deafening. Worse – it had already exited the opposition period, and was a registered Federal trademark of XYZ Company. There was nothing she could do practically about it – they “owned” her brand outside of the region she had used it in before their filing date.

Again, granted, she could continue to use the phrase in the geographic location she had been using it – since her use pre-dated their filing by years. But the problem was, she had been approached by some venture funders, etc., to help her “go national.” Now she had to go back and explain that the phrase she had come up with, that she had hung her hat on and was the “expert in the field” on for her service, was federally registered by her #1 competitor. This meant that any sales outside the geographic area that she had sold the service in as of the date of their claim infringed “their” brand. She had been a California-based service company until about a year previously, but in the previous six months had expanded her service area to include Illinois, Arizona and Florida. Since they had filed “her” trademark in the interim, all those new uses outside California could be deemed to be infringing on “their” brand.

Nauseating, huh??