

# INTELLECTUAL PROPERTY LAW PRIMER

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## ***TRADE NAMES AND TRADEMARKS***

### **I. What is a Trade Name?**

A. Definition of a Trade Name: A trade name is any name used by a person to identify his or her business.

### **II. Trade Names Distinguished from Other Intellectual Property**

A. Definition of a Trademark: A trademark is the actual name of a product (*Coke* for soft drinks). Trademarks/brand names identify the product as coming from a particular company and it also identifies and distinguishes that product from products sold by others.

B. Definition of a Service Mark: A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service as opposed to a product. *Greyhound Lines* is a service mark for passenger bus services. They sell a service, not a product.

### **III. Trade Names Can Be Trade Marks**

A. A trade name can also be used as a trade mark to identify products and it may be used as a service mark to identify services. For example, the Ford company uses *Ford* in its company name, it uses *Ford* to identify the automobiles and other products it sells, and it uses *Ford* to identify its automobile leasing services.

## **Protecting Trade Names**

### **I. State Protection**

A. The granting of a corporate charter or trade name registration does not give rise to trademark rights, nor does it clear a name from charges of infringement (this is also true for the mere registration of a domain name). In other words, registering your company with the Arizona Secretary of State or the Corporation Commission does not give you rights free and clear of others.

- B. Secretaries of state do not evaluate trade names using the same test applied to trademarks. They generally consider whether there is an identical mark prior to granting or denying an application.
- 1) *Black Rock v Black Stone.*
  - 2) *Anvil v. Anvill*
- C. Trade names do receive some protection under the Lanham Act and common law of unfair competition but if the trade name is not associated with known goods or services, the protection is not broad.

## II. **Federal Protection**

Trade names cannot be federally registered.

## III. **Best Means of Protection**

Use your company trade name on your products and services (see Ford example above) to establish trademark (or service mark) rights which are much easier to protect.

# Fundamentals of Trademark Law

## I. **What is a Trademark?**

- A. To summarize the above:
- Trademarks identify products;
  - Service marks identify services; and
  - Trade names identify businesses.
- B. Examples of Types of Trademarks:
1. Words: *Coke, Sony, Nike.*
  2. Logos: *Nike* “Swoosh”; *Mercedes* symbol; *Polo* clothing symbol;
  3. Numbers: *7-11* for convenience stores;
  4. Slogans/Phrases:  
"Don't leave home without it." (*American Express*).  
"You're in good hands with *Allstate*."
  5. Other Devices:
    - shape of the *Coca-Cola* bottle;
    - sound of *NBC's* three chimes;
    - fragrance of sewing thread.

6. Color: Color, alone, may be serve as a trademark if it has established secondary meaning, there is no competitive need for colors to remain available in the industry and the color is not functional (*i.e.* the color is not essential to product use or purpose and does not affect product cost or quality) See *Owens-Corning* pink insulation.
7. Trade Dress. The total image of a product including size, shape, color, texture or graphics. Generally, there are two types of trade dress: 1) product packaging or labeling; and 2) product design, that is the overall configuration or appearance of the product.

Examples of trade dress:

- *Reader's Digest* overall layout and design;
- *Rubik's Cube* puzzle;
- shape of *Ferrari* automobile;
- shape of *Black & Decker* "Snakelight" flashlight; and
- décor, menu and style of a restaurant.

8. Other Miscellaneous Marks.
  - a. Characters (*Superman, Charlie Brown*).
  - b. Personal names (first name, surname, or both). Protectable when attains secondary meaning. For example, *Ford, Hyatt, Harley Davidson*.

C. Functions of a Trademark.

- **Identifies** a seller's goods and services and **distinguishes** them from the goods/services of others.
- Signifies that all goods/services bearing the mark come from or are controlled by a single source.
- Signifies that all goods/services bearing the mark are of equal level of quality.
- Protects consumers against deceit as to the source of their purchases.
- Key tool in advertising and selling goods/services.

II. Stronger the Better.

Trademark must be distinctive to serve as an identifier of goods and services. Marks are categorized along the following spectrum, from the strongest to the weakest marks:

- Fanciful/Coined Marks – invented words with no dictionary meaning receive the broadest and strongest level of protection.

Examples of Fanciful/Coined Marks: *Xerox, Exxon, Kodak, Rolex, K-Mart, Polaroid, Clorox.*

- Arbitrary Marks - words in common use which bear no relationship to the associated goods.

Examples of arbitrary marks: *Ivory* for soap; *Apple* for computers; *Camel* for cigarettes, *Amazon* for an e-commerce website.

- Suggestive Marks - a mark which suggests some quality or feature of the associated goods, but they also identify source immediately. They are protectable.

Examples of suggestive marks: *Citibank* for banking services; *Playboy* for mens magazine; *Q-Tips* for cotton medical swabs, *Chicken of the Sea* for tuna; *Coppertone* for sun tan lotion.

- Descriptive Marks – a mark which describes some characteristic, quality, purpose, component or other property of the product. They describe, rather than identify the source of a product and are unprotectable unless they have established secondary meaning, i.e. the public knows they come from a single source (developed over a period of time through substantial use, sales and advertising).

Examples of Descriptive Marks—*Raisin Bran* for cereal, *Vision Center* for optical clinics; *Honey-Baked Hams* for hams; *Sports Illustrated* for sports magazine; *General Motors* for automobile manufacturer.

- Generic Marks – common name for product or service mark. Can never be protectable as the mark identifies the product itself as opposed to the source of the product.

Examples of generic marks: *Lite* for beer; *Super Glue* for glue; *First National Bank* for banks; *You Have Mail* for email alerts; *Chair* for a chairs; *Computer* for computers.

Further example: use of *Ivory*:

- on computers = arbitrary.
- on soap = suggestive.
- on paint = descriptive.
- on jewelry = generic.

### III. Sources of Trademark Protection.

- A. Common Law: Trademark rights are not acquired through selection or creation of a mark, but only through actual commercial use.
- B. Trademark rights are based on priority of use, *i.e.* the party first in time to adopt and continuously use a mark for goods or services in a geographic area has priority in that area. Even without registering a trademark, a user of a mark acquires common law trademark rights which extend to his market territories.
- C. State Registration: Marks may be registered at the state level. In most states, state registration confers no substantive rights beyond a trademark owner's common law rights and is of limited benefit. Except that a state registration serves as a public record/notice of a claim of trademark rights and may discourage others from adopting and using a similar mark.
- D. Federal Registration.
1. Best means of protection available. A federal registration provides valuable statutory presumptions:
    - A federal registration is *prima facie* evidence that the mark is valid, the registrant own the mark and has the exclusive right to use the mark.
    - A federal registration is *prima facie* evidence that the mark has been used continuously in commerce since the filing date of the application.
    - A federal registration is constructive notice that the registrant of the mark has the right to use the mark throughout the entire U.S., even if the mark is not being used in a specific geographical area. This means that the registrant can prevent a person or entity from using the same mark or confusingly similar mark anywhere in the U.S. unless the other mark was used before the date of first use of the registered mark. The latter user cannot defend on grounds of innocence, good faith or lack of knowledge of the registered mark.

- A federal registration gives the registrant the ability to sue for trademark infringement in federal court when diversity does not exist.
  - A federal registration allows the registrant to invoke the power of the U.S. Customs service to prevent the importation of goods that contain infringing marks.
2. To qualify for a federal registration, the mark must be used in interstate commerce.
  3. A federal trademark registration has a term of 10 years and can be renewed perpetually every 10 years as long as the mark is still in use.
  4. Intent-to-use applications can secure rights without actual use.

E. Use of Symbols.

1. ® signifies federal registration of mark; can also use "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." to show federal registration.
2. ™ signifies a claim of common law trademark rights; it puts the public on notice that the mark is deemed a trademark.
3. ℠ signifies a claim of common law service mark rights

## Clearing Your Mark Before Adoption

### I. What Does Trademark Clearance Mean?

A. Clearance refers to the process of searching for pre-existing trademarks that are the same or similar to your proposed mark and assessing whether or not your mark is available for use and free from substantial risk.

B. **Searching for existing trademarks prior to adopting your mark is essential!**

### II. Consequences of Not Clearing a Mark

In the event you adopt a mark that infringes the rights of a prior user;

- The real owner could haul you into federal court and obtain an injunction to immediately stop your use of the mark.
- If a federal registration is involved and the owner can show you acted in bad faith, he could obtain treble damages, attorney's fees and a permanent injunction.
- If enjoined, you would face the cost to rebrand your goods and services as well as loss of customer recognition of your product or service and the accompanying loss of business. You would also have to destroy all packaging, advertising and other materials.
- Trademark litigation is more expensive than most. Going all the way to trial can easily run \$80,000 or more. Good will that was built up with the old mark is lost.

### **III. What Is the Search Comprised of?**

- A. A full search looks at federal and state registrations and applications, domain name registrations, nation wide newspapers and telephone directories, trade journals, internet search engines and the like.
- B. Once the search is done, you will want an experienced trademark attorney to interpret the results as the analysis of whether a proposed mark infringes an existing mark involves a highly complex body of case law concerning consumer confusion.

### **IV. Conclusion**

Engaging in the trademark clearance process, even when you hire professionals, does not guarantee that you will never have a legal dispute over your trademark. There is no absolute certainty that your mark is free and clear yet a proper clearance greatly minimizes your risk of future trouble and a legal opinion from a qualified attorney serves as a strong record as to your lack of willfulness should charges of infringement arise.

## ***COPYRIGHTS***

### **I. What is Copyright Protection?**

- A. Copyright protection arises under federal law and grants owners of original works of authorship the right against unauthorized third-party use of their works.

## II. What Works Are Protected?

- A. Copyright Protects Creative Expressions: books, movies, art, photographs, sculptures, software code, music, paintings and the like.
- B. Classes of Works Under the the Copyright Act:
- literary works (books, magazines, computer programs, ad copy);
  - musical works including accompanying words;
  - dramatic works (plays, skits);
  - pantomimes and choreographic works (dance);
  - pictorial, graphic and sculpted works;
  - motion pictures and other audio visual works;
  - sound recordings;
  - architectural works (non-functional design elements);

## III. What Is Required for Protection?

- A. The work must be **“original”** which is to say the work owes its origin to the author and possesses a minimal level of creativity AND the work must be **“fixed”** in any tangible medium of expression from which it can be perceived, reproduced or otherwise communicated.
- B. Alphabetizing a list of names for a directory is not sufficient creativity for copyright protection. Nor is the mere listing of ingredients/contents of a package.
- C. Facts are not protectable. No can claim to be the author of information.
- D. Ideas are not protectable, only expressions of ideas can be protected.
- E. Titles are generally not protectable.
- F. Works that are utilitarian or functional are not copyrightable (accounting forms for recording data), unless there is a separate artistic design (animal back packs, furniture, jewelry designs).
- G. Two identical works can be protected if independently created.

## IV. Term of Protection

- A. Prior to 1998, copyright protection was available for the life of the author plus fifty years. If the author was a corporation or other entity, the term was 75 years. The Sonny Bono Copyright Term

Extension Act lengthened the protection by an additional 20 years for works published in 1923 or thereafter.

V. **Derivative Works and Compilations**

- A. A derivative work is one based upon one or more preexisting works (a translation, motion picture sequel, screen play based on a novel, use of a song in advertising, modification of a photograph) or any form in which the original work may be recast, transformed or adapted. The owner of the original work has the exclusive right to prepare derivative works based on the original. Sufficient new original additions must be added to the original work.
- B. A compilation is where an author makes a new work by making use of pre-existing works owned by others (short story anthologies). If the compiler uses creativity in the arrangement of the new work, the compilation may be copyrightable but only to the extent of the arrangement, not the pre-existing works.

VI. **Ownership of Copyright**

- A. Copyright ownership is distinct from ownership of the physical object which embodies the copyright. Typically, the original author of the work owns the copyright.
- B. A joint work is prepared by more than one authors who intend their work to be merged into an inseparable whole. They own the copyright equally. They each can exploit the work independently absent contractual restrictions.
- C. A “work made for hire” arises under two circumstances: 1: when an employee creates a work within the scope of his employment; or 2) if a work is specially ordered by a party and there is a signed writing from the author to the other party.
- D. Copyright assignments must be in writing.

VII. **The Five Exclusive Rights of Copyright**

- 1. The right of reproduction.
  - 2. The right of modification (to prepare derivative works).
  - 3. The right of public distribution (subject to “first sale” doctrine).
  - 4. The right of performance.
  - 5. The right of public display of the work.
- A. These rights create for the owner a virtual monopoly of use of the work.

- B. Any or all of these rights can be licensed by the copyright holder. Non-exclusive licenses can be oral.

### **VIII. The Fair Use Doctrine**

- A. Fair use grants someone other than the copyright holder a limited privilege to use the work in a reasonable matter without being considered and infringer.
- B. The use of copyrighted works for purposes of criticism, comment, news reporting, teaching, scholarship or research is generally considered fair use. Use of copyrighted materials for commercial purpose is never considered fair use.
- C. Factors balanced in considering fair use: 1) the purpose and character of the use; 2) the nature of the copyrighted work; 3) the amount and substantiality of the portion used; and 4) the economic impact of the use of the market.

### **IX. Copyright Infringement**

- A. Infringement occurs when any of the exclusive rights granted to authors in their copyrighted works is violated without consent.
- B. The right of reproduction is the one most commonly infringed. Making a copy of a protected work without permission constitutes infringement even if the unauthorized copies are not sold or publicly distributed.
- C. To prevail in a copyright infringement case, the copyright holder must prove ownership of the copyright and copying of the work by the defendant. Intent to infringe need not be proven and innocent copying is never a defense
- Ownership is proven by a copyright registration.
  - Evidence of copying is difficult to prove and is usually demonstrated by circumstantial evidence showing defendant had access to the work and the unauthorized work is substantially similar to the protected work (infringement can occur even if only

a few words are copied if the copied material is the “heart” or essence of the work).

- D. Vicarious Liability. A person may be liable for an infringement done by another if the infringer is under the control of someone who could stop it and is in a position to benefit from the infringement (Napster case). Note, the owner of a small company who has a pecuniary interest in it and a right to control the actions of the company will not be insulated by corporate or limited liability company status for the infringing acts of their company. They will be held jointly and severally liable with their company.

**X. Legal Logistics**

- A. All copyright infringement suits must be brought in federal court.
- B. The work must be registered with the Copyright Office. Statutory damages and attorneys’ fees are ONLY available if the work is registered before the infringement occurs, or, if infringement has already occurred, the work is registered within 90 days of the first publication. A case is much more likely to settle if statutory damages and attorneys’ are in the mix.
- C. Statutory damages for a non-willful violation range from \$750 to \$30,000 **per act of infringement**. This can be increased to \$150,000 for willful infringement.
- D. The award of attorneys’ fees is discretionary but usually granted. Attorneys’ fees for a typical copyright infringement case often exceeds \$100,000.
- E. If statutory damages are unavailable, a court will hold the infringer liable for the copyright owner’s actual damages and any profits earned by the infringer as a result of the infringement.
- F. **Without timely registration, the courts cannot award statutory damages or attorneys’ fees. This cripples the copyright owner’s ability to bring an action where the infringer has not earned substantial profits and the copyright owner has not suffered large damages.**

***TRADE SECRETS***

**I. What is a Trade Secret?**

- A. A trade secret is defined as:  
“information, including a formula, pattern, compilation, program, device, method, technique, or process that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, others who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”
- B. To be entitled to protection, the information must be novel, original or unique. Matters of public knowledge cannot be deemed a trade secret by merely claiming it as such.
- C. Elements:
1. The trade secret must consist of information;
  2. The information must derive economic value from the fact it is secret;
  3. The information cannot be generally known by others; and
  4. The information must be kept secret and reasonable efforts of secrecy must be maintained.

## **II. Examples of Trade Secrets:**

- plans, designs and patterns;
- processes and formulas;
- methods and techniques of manufacturing;
- engineering notebooks;
- negative information (designs that did not work);
- computer source codes or programs;
- financial information;
- cost and pricing information;
- customer lists;
- unannounced business relationships;
- personnel information;
- information about business opportunities and new products.

## **III. Maintaining Secrecy:**

- A. The secret must be safeguarded using reasonable measures. This includes putting employees, contractors, vendors and other personnel on notice of the existence and nature of the confidential information and a contractual duty on their part not to disclose it (non-disclosure agreements). Additionally, employers should consider:

- placing warning labels on confidential documents and computer log-in screens;
- sharing information only on a need to know basis;
- keeping track of the number of copies made;
- destroying documents and magnetic media so they cannot be discovered by competitors;
- issuance of employee ID badges and security pass codes;
- limited access to all facilities;
- monitoring all copying of sensitive documents;
- not allowing the removal of documents from specific areas;
- require all employees to sign confidential non-disclosure agreements;
- utilize covenants-not-to-compete for terminated employees.

**IV. Trade Secret Misappropriation**

- A. Misappropriation means the wrongful acquisition of a trade secret by improper means. This can mean otherwise lawful conduct which is improper under the circumstances (use of airplane over-flight to determine competitor's plant layout during construction).
- B. If a third-party honestly discovers the trade secret through his or her own means, or if the trade secret owner negligently reveals the trade secret, protection is lost.
- C. Trade secret protection does not prohibit the examination of products obtained on the open market for which there are no contractual restrictions. Reverse engineering (taking a known product and working backward to find the method by which it was developed) is legal as long as no copyright, patent or trademark law is violated and the acquisition of the product was not improper. To prevent reverse engineering, permit commercial use by license only is advised thereby granting the consumer a limited contractual right to use the product.