

Traps for the Unwary General Practitioner

by Mark J. Ingber and Alex Rybakov

Ralph Waldo Emerson once said "the good lawyer is not the man who has an eye to every side and angle of contingency, and qualifies all his qualifications, but who throws himself on your part so heartily, that he can get you out of a scrape." How does an attorney achieve this paramount of representation? By making his or her client's interests the most important goal. However, many attorneys often conclude a company's interests are primarily represented by its contractual agreements. This is oftentimes flawed thinking on the part of the attorney. In many cases, it is not only contracts that are an important part of a company's commercial value, but intellectual property rights that are equally or more important.

In today's age of rapidly emerging technologies have consistently advised clients that the entire commercial value of their company may depend upon the extent of their intellectual property rights (*i.e.*, a company's patents, trademarks, copyrights, and trade secrets) in such technology, and their relationship with employees or independent contractors who develop or use this technology.

The value of a company's intellectual property rights begins to grow at the founding of the company. The selection of the company's name, the hiring of its first employee, and the decision regarding the technology to be used to deliver its product and services will affect the company's intellectual property rights. The company's name will be its trademark, its identifier in the

marketplace that will serve to build the company's reputation and identify its products. The company's relationship with its employees may affect its copyrights in any published works produced by the employees. Finally, the right to be sole owner of the technology involved in the goods or services delivered to its customers may be secured by patents. Given this importance of intellectual property, it is the duty of any general practitioner representing company interests to be able to identify and protect these rights.

TRADEMARKS

The United States Patent and Trademark Office (USPTO) defines a trademark as a "brand name."¹ It is any "word, name, symbol, device, or any combination, used or intended to be used, in commerce to identify and distinguish" the source of the goods or services.² The true value of a trademark, however, cannot be understood by reviewing a simple definition. A trademark often has great significance for a company. In recognizing the trademark, a consumer or another company recognizes the reputation that the company has built.

As a trademark grows in recognition, so do the products and services offered by the company that owns the trademark. Therefore, companies have long recognized the priority that must be given to a trademark. Even a recent presidential campaign identified itself with a colorful logo that has now become synonymous with our current president. Given this recognition, most

companies are well served by expending a large amount of resources in researching and developing trademarks.

The attorney's responsibility is twofold. He or she is responsible for securing not only any new trademarks the company may develop, but also any older trademarks or company identifiers, the importance of which may have been previously overlooked by the company. Lawyers are often asked to provide legal assistance to companies in connection with the creation of a new identity.

The paramount trademark rights of prior users of a name are founded in early and longstanding common law. These rights are not outweighed by the acceptance of registration by an individual secretary of state. While each state's secretary of state may search its own state's register of corporations and, in some instances, the list of corporations qualified to do business in that state, they operate solely from their *own* state records and not those of other states, including neighboring ones.

A clearance or acceptance from the New Jersey Department of Treasury that a corporation may be incorporated under a proposed name does *not* give that corporation the *right to use* that designation in commerce (the name could be confusingly similar to that of a product, a product line, a corporate division, an unincorporated business, or a business incorporated in another country).³ Therefore, a *bona fide* trademark search will help address the issues left unexamined by a corporate name clearance.

The best time to do a trademark search is before actual usage, before artwork, or before label printing is affected. As a company comes up with new ideas for products and their respective trademarks, counsel should review them regarding availability of a particular mark for a particular product. Intellectual property attorneys can provide a complete analysis of USPTO, as well as state and common law records within days. A deep, analytical trademark search will look for synonyms, phonetic equivalents, alternative spellings, anagrams (rearrangements of letters) and other similarities that may create a potential conflict. It is essential to have this deeper search performed if you want to make sure your client's business name or mark is not likely to be challenged as being confusingly similar to, or evocative of, an existing name or mark.

Furthermore, it will be much less expensive for your client to select a new name at its embryonic stage, than being forced to change its mark two or three years into developing the goodwill in its name, after it has received a cease and desist letter from a prior trademark user. Accordingly, before recommending to your client that it begin using the mark on its product or registering it, a trademark search should be performed by a trademark attorney to determine whether the mark can be used and to consider registering the mark with the USPTO.

While federal registration is not necessary for trademark protection, registration does provide many advantages, including: 1) the filing date of the application is a constructive date of first use of the mark in commerce (this gives the registrant nationwide priority as of that date, except as to certain prior users or prior applicants); 2) the right to sue in federal court for trademark infringement; and 3) *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark and the registrant's exclusive right to use the

mark in commerce in connection with the goods or services specified during the registration process.

Even a thorough trademark search completed by a highly competent intellectual property attorney does not guarantee a lawsuit will not arise in the future. A search does not provide a definitive answer, and only provides clues that must be examined and investigated. The fact that searches do not produce definitive answers is difficult for the trademark searcher to explain. Most of us would prefer to operate with definitive answers, not judgments based upon the subjective evaluation of disputable clues.

Regrettably, the latter is all that is available when reviewing a trademark search. No amount of searching can assure that all common law usages have been found. Not even a direct investigation of a company that purports to show a mark is no longer used can guarantee the mark is not, in fact, still being used. Incorrect information could have been given to the investigator, inadvertently or deliberately, by phone or in person. Most companies do not have systems designed to assist a third-party search investigator.

In the end, while a trademark search is not a guarantee, it is still the best way for your client to avoid a trademark infringement suit, and for you to avoid a malpractice claim. The cost of such a procedure is relatively minimal (usually less than \$750), and the cost of only conducting a corporate name clearance is very high. Trademark searches provide security for both you and your client, and should only be handled by a reputable trademark attorney.

COPYRIGHTS

Copyright is granted to the natural author of an original work. However, in cases where the work was created by an employee of the company as work made for hire, ownership rests with the employer. Copyright can be obtained for any works that are literary, musical, dramatic, graphic, sculptural, or audio-

visual, or that are sound recording or computer software. Protection is extended once the work is created. Nonetheless, an attorney should be aware that there are benefits to registering the work with the United States Copyright Office. Obtaining a federal registration enables the copyright owner to sue for damages for infringement, an extremely valuable right.

It is similarly important for the attorney to review any employer/employee agreements that will result in development of work that may be subject to copyright protection. If a company wishes to secure its interest in the work, an intellectual property attorney should review the agreement. The agreement must be designed so any work created by the employee for the company will be designated as a work made for hire. Failure to craft a proper agreement may result in a court's determination the employee was an independent contractor and the ownership of the work rests with that independent contractor.

While the number of responsibilities that lie with a general practitioner may seem less when it comes to protecting a company's copyrights, they are of no less importance than responsibilities associated with protection of the company's trademarks. More importantly, the protection provided by the company's registered copyrights may not become evident until a third party sues for infringement.

Such a lawsuit will almost certainly question the originality of a work. Whether a work is original is a difficult concept to grasp, not only for the lay person but also for many courts. Therefore, if an infringement claim has been filed, it is essential that a general practitioner retain the services of a qualified intellectual property attorney.

DOMAIN NAMES

It may very well be a cliché, but it bears repeating: The Internet is here. Without the Internet, many companies would lose a substantial

source of their revenue. Therefore, how a company presents itself on the Internet is extremely important. Many companies use complex websites with overlapping themes to market themselves on the Internet.

Before a company designs its website, it must first pick a domain name. A domain name is no longer a simple Internet address. A domain name is a trademark. It can be registered with the USPTO as a trademark. Any company looking for the ultimate form of advertising should expend the same resources in choosing a domain name as it would in choosing its actual name. It should also conduct a domain name search. This would ensure that there are no companies using similar domain names.

The Internet can help in choosing an appropriate name. Many of the websites that will register a company's domain name will also provide a search engine that will allow your company to check if a domain name is already taken. If a domain name is already occupied they will also provide the company with registration information so it may contact that party if it wishes to purchase the domain name.

What if that party acquired the domain name in bad faith? What if their sole purpose in registering the domain name was so they could demand money from a company? The Anti-Cybersquatting Consumer Protection Act (ACPA) helps resolve such issues. It makes it easier for companies to obtain domain names that are similar in nature or that were created in bad faith. An attorney should familiarize him or herself with the ACPA if a client begins to concentrate on income from the Internet.

The importance of the ACPA cannot be overstated. It not only protects companies against cybersquatters, but it also recognizes the importance of the relationship between domain names and trademarks, and establishes factors for a court to consider in a dispute where domain names are similar or infringing.

Once a company chooses and registers its domain name there is always a possibility another company will dispute the name as being too similar to its domain name, or even infringing of its trademarks. These disputes do not have to end in a lawsuit. The Internet Corporation for Assigned Names and Numbers (ICANN) created the Uniform Domain Name Dispute Resolution Policy. Under the policy the disputing party must set forth that it owns a trademark, that the infringing company is using that trademark or something similar to that trademark in a domain name without a legitimate purpose, and that the domain name was registered in bad faith.⁴

A general practitioner representing the company whose website is in dispute should contact a qualified intellectual property attorney. The intellectual property attorney can assist the company in proving the domain name was registered for *bona fide* purposes, and that the domain name is being used for a commercial purpose.

PATENTS

Patents are the most complex form of intellectual property. Their complexity is such that any company dealing with patents, not only should, but must retain a patent attorney. The process of securing patent protection, arduous as it may be, is extremely rewarding. A patent granted by the USPTO gives the patent holder a 20-year monopoly on enjoying the profits from the invention covered by the patent.

A patent will only be granted to inventions that are novel and not obvious derivatives from currently existing inventions. The process itself, known as patent prosecution, must always begin with an evaluation of the patentability of an invention. An important part of this analysis is a patent search. The USPTO provides a number of resources to assist an attorney in conducting such a search. Basic Internet search engines are a good place to begin. However, a proper

and detailed search should still be conducted by a patent attorney.

The next, and perhaps most important, step of the process is the drafting of the patent claim. Patent drafting has its own language. The USPTO will look at every word of a claim in order to determine whether the invention is original and non-obvious. A patent attorney or a patent drafting service is usually very experienced in choosing proper verbiage to be included in a claim. Their services are indispensable here, as they are with the remainder of the patent claim process.

TRADEMARKS, COPYRIGHTS AND INSURANCE COVERAGE

So what should be done if, despite a trademark search, a third party comes out of the woodwork with a cease and desist letter claiming a company's trademark is infringing on their trademark? One important step to take is to contact the company's commercial liability insurer. A general commercial liability policy may include a clause covering the defense of claims asserting trademark infringement and/or copyright infringement. If such a clause exists, a payout by the insurance company can provide some relief to companies in covering their legal fees.

It is, of course, best to review the language of the policy in order to determine whether this coverage is available. The clause may not specifically list trademark infringement coverage (*i.e.*, it may call it an advertising injury); therefore, it is important to review the company's commercial insurance policy to determine what coverage is available.

Even if the policy does provide coverage, the company should not attempt to file a claim on its own. A company in receipt of a cease and desist letter should not take it lightly. The letter should immediately be forwarded to the company attorney, who should then seek assistance from a qualified intellectual property attorney.

If the company attorney is not an

intellectual property attorney, he or she may elect to have an intellectual property attorney discuss a trademark and/or copyright infringement clause in the policy with the insurance company. The clause may contain certain nuances (*i.e.*, it may not cover willful trademark infringement) that are best recognized by an intellectual property attorney. The intellectual property attorney could then file a claim with the insurance company.

A successful claim can go a long way in helping companies, especially smaller businesses, cover a portion of their legal fees as they defend against trademark and/or copyright infringement claims.

POLICING INTELLECTUAL PROPERTY

Finally, the full enjoyment of the value of the company trademarks and copyrights lies not only in their registration, but also in policing them against infringers. Neglect in policing a mark is a form of 'abandonment,' and is a basis for losing a federal registration of a mark. Examples of terms that were once trademarks owned by companies, but later were held by courts to be without protection, include aspirin, brassiere, cellophane, escalator, and yellow pages.

It is, therefore, in the best interest of the company and its attorney not only to recognize the importance of intellectual property, but also to retain the services of a qualified intellectual property attorney to work closely with a company's general counsel to:

- protect trademarks and copyrights;
- help curb infringements both domestically and internationally;
- track recurrent infringements; and

- work with trade associations to obtain injunctive relief against counterfeiters.

INTELLECTUAL PROPERTY AUDITING

This article has concentrated, to this point, on protecting newly created or obtained intellectual property. However, given the high value of intellectual property held by a company, it is always recommended that an attorney and the company conduct an intellectual property audit. It remains one of the more reliable mechanisms for determining the ownership, scope, and status of a company's intellectual property rights. This, in turn, enables the detection of defects in intellectual property rights so corrective measures may be taken.

The audit will assist in the determination of the origin of any intangible assets and the extent of a company's interest in technology and related intellectual property rights. It will also help determine the scope of rights that third parties, including independent contractors, may have by license, ownership or otherwise in company assets. Also, it will help detect any defects in existing intellectual property assets and identify the mechanisms and procedures for protecting and perfecting these assets. It may also be necessary to avoid liability for third-party claims of infringement, which may result from the development of new products. Finally, an audit may help to determine, in contemplation of intellectual property litigation, whether all filings necessary for jurisdictional requirements have been satisfied, what clouds on the company title may exist, and what defenses may be asserted against the company.

A good place to start, when developing an intellectual property audit, is to establish a policy setting forth events that would trigger an audit. The first occurs in the beginning stages of a company, to ensure proper procedures have been or will be established to protect and perfect intellectual property rights on a continuing basis, with periodic review. The second is whenever there is a major transfer of intellectual property rights, such as a merger, sale or acquisition of a company possessing intellectual property; licensing or acquisition of the rights to a given product or process; or taking a security interest in intellectual property rights. The third is when there is a significant change in applicable intellectual property law. For example, broadening availability of patent protection for software-related inventions; changes in trademark law that allow the filing of applications based merely on intent to use; and changes in copyright law affecting computer programs. ■

ENDNOTES

1. United States Patent and Trademark Office, *Trademark Process*, available at www.uspto.gov/trademarks/process/index.jsp (last visited April 23, 2010).
2. *Id.*
3. N.J.S.A. 14A:2-2.
4. See ICANN procedures www.icann.org/en/udrp/udrp-policy-24oct99.htm.

Mark J. Ingber is a partner with Ingber and Gelber in Millburn. Alex Rybakov is an attorney awaiting admission to the bar.