

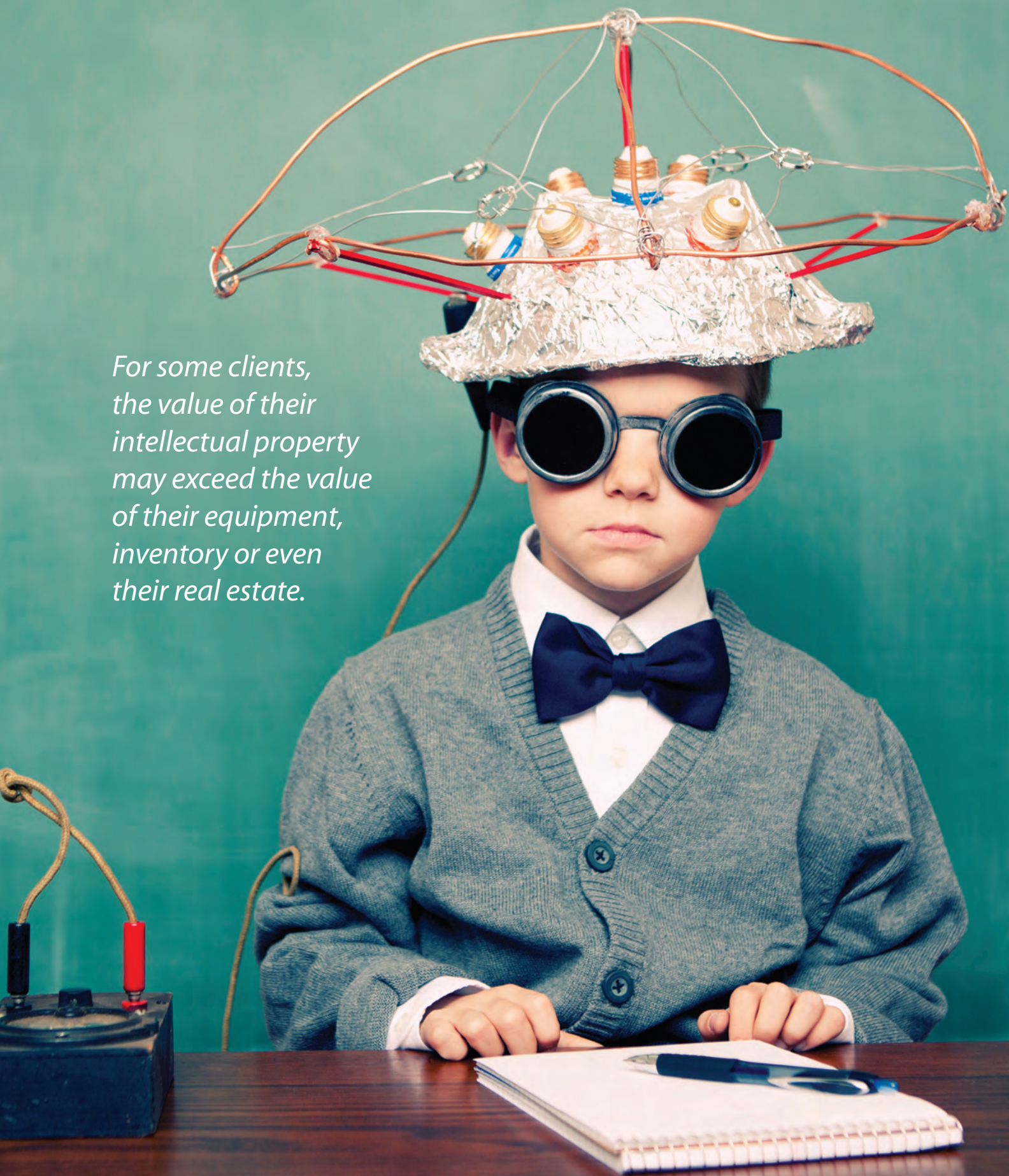
Copyrights, Trademarks and Trade Secrets: *Intellectual Property Law Basics for Businesses*

By Benjamin C. Dunlap Jr. and Tyler J. Eshelman

While intellectual property law affects many aspects of a small or medium-sized business's products, services and marketing, many business owners — and their attorneys — are unaware of the potential opportunities and liabilities associated with a company's use of intellectual property. A business does not need to be a Samsung or an Apple to benefit from trade secret protections, nor does it need to be a Disney or a Netflix to face potential copyright issues. Nearly every business uses logos, slogans and other marks that may or may not be eligible for trademark registration.

Attorneys for these companies should recognize that for some clients, the value of their intellectual property may exceed the value of their equipment, inventory or even their real estate. Advising a client on the proper use of copyrighted materials, registering a trademark with the U.S. Patent and Trademark Office (USPTO) on behalf of a client or helping a client recognize what information constitutes a protected trade secret may significantly enhance your value to your client, as well as reduce the client's potential liabilities.

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COPYRIGHTS

Copyright protection applies to literary, dramatic, musical and artistic works such as movies, photographs and songs. A work is copyrighted as soon as it is created — the creator does not need to register the work with the U.S. Copyright Office. However, a business that regularly produces artistic works, such as a freelance photographer or commercial filmmaker, will benefit from registering its copyrighted work with the U.S. Copyright Office. Prompt (within three months after the work is published) registration creates a public record of the creator's copyright claim, enables the creator to file a copyright infringement lawsuit, establishes prima facie evidence of the validity of the copyright and entitles the creator to statutory damages and attorney's fees in actions against copyright infringers. This is almost always a stronger remedy than the award of actual damages and profits that would be available to a copyright owner who did not promptly register a copyright prior to the infringement of the work.

Not all businesses produce copyrightable work, but many companies still need to be mindful of copyright infringement and the importance of obtaining proper licensing before using copyrighted works. For instance, a bar, restaurant or hotel that plays

music or features a television in a common area needs to obtain entertainment licenses to avoid infringing on the copyrights of the recording artists and producers of the television programs. A limited, "home style" exemption is available for small businesses playing radio or television broadcasts (not cable or internet transmissions) on equipment commonly used in private homes, but most businesses will not be covered by this exemption and should purchase the appropriate licenses from ASCAP (American Society of Composers, Authors and Publishers); BMI (Broadcast Music Inc.) and other agencies as needed. The relatively small cost of these licenses is worth it to avoid a potential copyright infringement lawsuit.

Additionally, businesses that use copyrighted works in connection with their actual products or services usually must obtain permission from the copyright holder or otherwise risk a copyright infringement suit. Many attorneys, and some business owners, are familiar with the doctrine of "fair use." This concept permits the unlicensed use of copyrighted works contingent on an analysis of the purpose and character of the use, the nature of the copyrighted work, the amount and substantiality of the portion of the work used in proportion to the whole and the effect of the use on the market for the



copyrighted work. A common fair use of copyrighted material is with news reporting.

Determining whether a use qualifies as fair use is a fact-intensive process; a noncommercial or nonprofit use is much more likely to qualify than a commercial use. Attorneys working with businesses should evaluate what, if any, copyrighted works are being used by the business without permission or licensing and determine if there is a reasonable argument that the fair use doctrine applies.

TRADEMARKS

Trademarks may be registered with the USPTO and the Pennsylvania Department of State. A “mark” for purposes of trademark registration may be a word, phrase, symbol or design or a combination of words, phrases and designs that identifies and distinguishes a source of goods or services. A mark registered with the USPTO may be registered on either the Supplemental or the Principal Register.

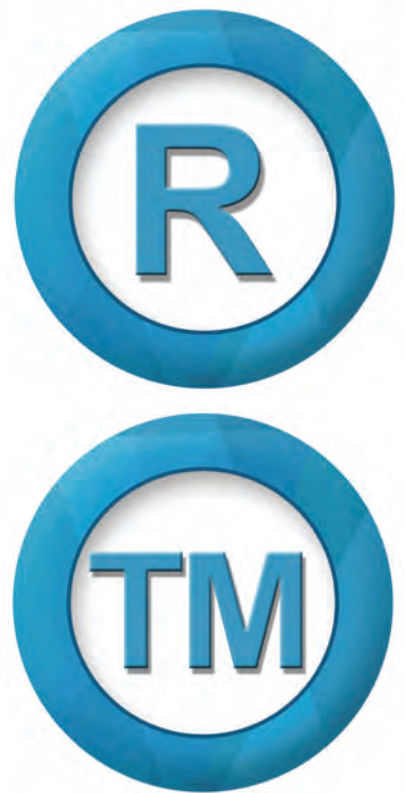
Registration on the Principal Register offers the highest degree of protection but requires that the mark be unique and distinctive. Marks that are merely descriptive, such as “Lititz Lawn & Landscaping” or “Smith’s Print Services,” likely would not qualify for registration on the Principal

Register; however, a unique design that incorporates these phrases may qualify. The primary benefit of registration on the Principal Register is that the registrant will be the presumed owner of the mark in every state. This registration serves as constructive notice of the registrant’s ownership of the mark, and the mark will ultimately become incontestable after five years of registration on the Principal Register.

Registration on the Supplemental Register still offers some benefits to owners of marks that are not eligible for registration on the Principal Register. Registration on the Supplemental Register allows the registrant to bring a claim for trademark infringement in federal court, and the USPTO will not register a trademark that is identical to or very similar to the mark. A search of the USPTO’s trademark database would show that the mark was registered. Finally, and like a mark registered on the Principal Register, a mark registered on the Supplemental Register may be used with the ® symbol. For many businesses that have built a brand and reputation around a descriptive trademark that may not have acquired a level of distinctiveness so as to be eligible for registration on the Principal Register, registration on the Supplemental Register confers significant benefits at a relatively low cost.

A mark may be registered with the Pennsylvania Department of State pursuant to the Pennsylvania Trademark Act. This act permits the registration of marks that are actively used in commerce in Pennsylvania. However, the limits on the registration of descriptive marks are similar to those restrictions in federal trademark law; therefore, registration in Pennsylvania may be of limited value compared to registration of such marks on the federal Supplemental Register.

State registration does allow registrants to obtain certain state law remedies, including injunctive relief and the potential for treble damages and attorney’s fees, and this regis-



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tradition also establishes a record of the mark's use in commerce. Given the potentially lengthy process for registering a mark on the Principal Register, registering a mark in Pennsylvania might serve as a source of protection while the federal application is pending or as a low-cost alternative where use of the mark will be only within the state.

Attorneys should advise their clients on the risks of trademark infringement, especially when it comes to advertising. Most clients know that they can't use someone else's trademark to label their product or business, but trademark infringement may occur any time a mark is used in connection with goods or services in a manner that is likely to confuse, deceive or mistakenly inform customers about the source of the goods or services.

For instance, a tool and equipment retailer is clearly permitted to advertise that it is selling John Deere tractors. However, the same retailer cannot advertise in such a manner that would lead customers to believe that the retailer itself is John Deere, and that, by extension, all of its goods and services are endorsed by and represent the internationally recognized brand. Each client's marketing needs and, in some cases, contractual relationships with suppliers, will present unique issues in terms of permissible and impermissible use of trademarks in advertising.

TRADE SECRETS

Trade secrets encompass a wide range of information that a business takes steps to keep secret and that is not widely known or obtainable by persons outside the business. Examples include proprietary information such as Google's search algorithm or KFC's 11 herbs and spices. Many small businesses may not recognize that information they do not disclose to the general public, such as customer and supplier lists, pricing formulas and operational or technical processes, constitutes a trade secret.



To be protected under the Pennsylvania Uniform Trade Secrets Act, a trade secret must be information that has independent economic value and is not generally known to or readily ascertainable by proper means to other persons. Additionally, the information must be subject to reasonable efforts under the circumstances to maintain its secrecy. The act permits owners of trade secrets to bring a claim for misappropriation against persons who acquire the trade secret through improper means, such as theft, or persons who disclose the trade secret to another. Owners may obtain injunctive relief or damages for misappropriation, and the type of relief awarded may vary depending on the nature of the misappropriation and the actual harm to the company.

In 2016, the Defend Trade Secrets Act became law at the federal level. This created a federal cause of action for misappropriation of trade secrets that is largely similar to the provisions of the Uniform Trade Secrets Act. This provides another avenue of relief for instances where trade secrets may have been stolen or improperly disclosed — the Defend Trade Secrets Act does not preempt Pennsylvania trade secret law.

Both the Pennsylvania and federal statutes creating a cause of action for misappropriation of trade secrets require that a company take reasonable steps to protect information that the company would claim qualifies as a trade secret. At the outset, a business will likely face difficulties in protecting this information if it does not identify which information qualifies as a trade



secret. Therefore, attorneys should advise clients to make a list of information they consider to be proprietary and/or of significant economic benefit to the company.

After establishing this list, businesses should adopt reasonable safeguards, including limiting electronic and physical access to the information, establishing policies for the proper handling of protected information and reviewing employment agreements to prohibit the disclosure of confidential information. In addition, employment agreements should include specific immunity language for the disclosure of trade secrets to governmental officials and attorneys in whistleblower actions, as required for an employer to obtain the full scope of remedies available under federal law.

Nearly every business creates or uses intellectual property, yet many businesses, and occasionally their attorneys, neglect the value of this intellectual property. Knowing whether information is classified as a trademark, copyright or a trade secret, and the protections available to each classification, enables attorneys to offer advice and guidance that protects these aspects of a client's business.

For many clients, a basic understanding of proper registration procedures, common infringement issues and the safeguarding of trade secrets will meet most, if not all, of their intellectual property needs. In the 21st century, a working understanding of intellectual property law is a necessary skill for the general practitioner or in-house attorney tasked with advising the small or medium-sized business. ☞



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