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What Every Start-Up Company Should Know About Trademarks, Patents and Copyrights

Being sued for infringement is no way to start an enterprise! A start-up company's ability to operate, grow and prosper depends on up-front due diligence investigations and appropriate agreements regarding trademarks, patents and copyrights. Engaging in this groundwork early will safeguard against subsequent disputes.

Trademarks

Trademarks are valuable assets that protect goodwill. A trademark helps a consumer identify the source of a product or service. In an era flooded with imagery and information, it is vital to choose a brand wisely to stand out.

“What’s in a Name?” – Avoiding Generic and Descriptive Marks

In order to stand out, avoid adopting generic or descriptive terms for products or services. A generic term is one that consumers identify as the common name for a product or service – think Kleenex®. Suppose you have discovered

a novel way to brew beer using dewberries. You decide to brand the beer as “beer.” Not so fast: trademark law would prohibit you from registering (and therefore protecting) a federal trademark for the name “beer” because it is generic, and a marketing professional would advise against it because the name “beer” is incapable of distinguishing your beer from Joe Blow’s beer.

But let’s say that you yearn to call your beer “Dew Beer Berry.” Slow down! While “Dew Beer Berry” is stronger than the generic term, “beer,” it still risks being considered descriptive in the eyes of the law and indistinguishable from other dewberry beers in the minds of the public. You are not alone – many businesses select a brand name that *describes* their product or services because they want consumers to understand what they are selling. The trouble with this is that calling dewberry beer “dew beer berry” will likely not prevent competitors from marketing their beers under the terms “dew,” “beer,”

or “berry,” because these are generic terms associated with the product, dewberry beer.

When you lose the power to prevent others from using brand names that include terms similar to your name, you begin to lose control over your reputation. Furthermore, your individuality when compared to all the other dewberry beer breweries is limited. Your brand risks looking and feeling similar to other brands trying to describe their product or service with similar names. To overcome this, avoid selecting a descriptive brand name. Save the descriptive terms for the “about us” section of your website. Think outside the box, select a unique brand name, and let your brand name serve the purpose of distinction.

The strongest trademarks are arbitrary or fanciful. They involve commonly known terms but apply them to a product or service that is unrelated – e.g., Apple® computers.



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Fanciful trademarks are made-up terms. For example, what is “IKEA” aside from the Swedish store we all know? Nothing. It is simply an amalgamation of the initials of the founder’s name, his home village and a nearby village. In our hypothetical, we might try something arbitrary like Hammer Head beer or something fanciful like Dunding beer, inspired by our firm’s name Dunlap Coddling.

“Clear!” – Is Your Brand Name Available?

You must also clear your brand name before using it. You must have a trademark clearance search conducted to determine whether someone else is already using the same or similar name. You want to be able to answer these questions: “Can my start-up company use the proposed mark on my products or services with reasonable risk?” and “Can my mark be registered with the United States Patent and Trademark Office (USPTO)?”

A trademark search involves searching USPTO records for registered and pending marks as well as searching the Internet and many other databases for unregistered marks. If there are businesses already using a mark similar to your proposed mark (e.g., you find “Hammer Hand” used in connection with beer), there may be a conflict. It is best to uncover these risks before you invest in a particular mark. Conduct a search before you adopt a mark, or be prepared to lose money, time and a bit of your reputation when you have to re-brand.

Patents

Patents are all about creating options. Presumably, anyone can manufacture and sell a product, but manufacturing and selling “bare,” that is, without proprietary rights, invites more competition. However, when a company is armed with a patent, it can limit competition. Start-ups, in particular, can benefit from patent protection; a patent

allows them to break through the mass of products and services already available and gives them the ability to exclude others from using their same patented product or service.

“Shhh!” – Discuss Your Ideas Carefully

The tendency of many start-ups to share their latest venture with friends, family and potential investors must be tempered to avoid disclosing information pertinent to patentability (as well as trade secret information). Once a start-up shares its secret weapon for success (i.e., its potentially patentable product or service), the patentability clock starts ticking in the United States. After disclosing an idea to the public or offering it for sale, an inventor has *one year* to file a patent application. If a start-up is thinking about marketing and selling its product or service internationally, it is even more important to keep a tight lid on an invention because many non-U.S. countries do not grant inventors the one-year grace period. Instead, any single disclosure can be cited as prior art against a patent applicant and therefore destroy the chances of patenting the idea.

Sizing Up Your Asset and Assessing Risks for Infringement

Do your homework before you manufacture and unleash a product or service to ensure that someone else’s rights will not prevent or limit you from operating your business. Conducting a “prior art search” is the best way to investigate the proprietary landscape. This involves searching issued patents and applications which involve technology or components similar to those that your business is attempting to commercialize.

From an offensive standpoint, prior art searches assess whether the invention has a high potential for patent protection by evaluating whether an invention is new, useful and non-obvious in light of the prior art. Prior art generally includes

issued patents, published patent applications, and evidence of prior sales and use. From a defensive standpoint, prior art searches identify current patents upon which a start-up’s proposed product or service could infringe, if implemented. In other words, a start-up company needs to ask itself whether it even has the right to manufacture and sell its proposed product or service and therefore whether it is truly free to operate within its vision.

Even if a prior art search does reveal a problematic patent, businesses are able to further assess high-risk patents – e.g., to determine if they are valid. In the event a determination is made that the identified patents are not valid, then the business is in a more secure position to move forward with its proposed product or service without risking infringement.

Copyrights

Third Party Work for Hire Agreements

When it comes to copyrights, we cannot emphasize enough how important it is to be aware of the work for hire doctrine and the rights of independent contractors. Typically, the owner of a creative work is who you might think it is – the author. Under the work for hire doctrine, employers own the works created by their employees within the scope of employment. The situation often not considered is one involving independent contractors. Independent contractors own the works they create unless there is a written agreement stating otherwise. Therefore, it is crucial to have documented, clear agreements in place specifying ownership of copyrightable works before the creative process begins.

Conclusion

Keeping these few items in mind can help you spot and avoid some key risks for your start-up company. 