



# Offense and Defense in Intellectual Property:<sup>\*</sup> *The Most Common Issues Confronting Small Business*

BY JANE BERMAN

**T**hrough years of practicing intellectual property law, I've found that many common and confounding intellectual property problems facing small businesses could be avoided, and if not avoided, at least effectively addressed, by making a number of simple offensive and defensive moves.

Most steps don't entail huge investments in attorneys' fees or time. Because it is March but we have no Madness (or at least, the madness at hand is not the NCAA® brand), please let me offer some offensive and defensive maneuvers that may be useful to small businesses in this basketball-deprived time.

## I. THE FUNDAMENTALS

But first, the fundamentals of the game. What is intellectual property? There are four major types generally of interest to small businesses.

**A patent:** a government grant of a limited-time, exclusive right to make, use, or sell a novel and non-obvious invention (yeah, it's complicated). Among the many types of inventions are improved formulations, devices, computer control methods, or methods for making, operating, or using something.

**A trademark:** a brand name, logo,

or other designation that exclusively identifies a producer's goods or services in the marketplace. Customer recognition in a particular field of business leads to exclusive rights to a trademark or service mark. Registration offers significant procedural benefits, but is not required to

establish trademark rights; rights automatically arise from use of a mark, by operation of law. Unlike patents, trademarks can live forever, so long as they remain in use.

**A copyright:** the right to stop others from copying written and artistic works without the owner's permission. Copyrightable works exist in many forms familiar to small businesses, including written materials like customer manuals and advertising materials, website content, databases, computer programs, and photographs and other artwork. Like trademarks, copyrights are protected automatically by law;

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registration is not required to establish a copyright. However, registration confers critical benefits (more on this below).

**A trade secret:** information kept secret that provides a competitive advantage to a business, protectable under common law as well as state and federal statutes. Small businesses typically own trade secrets in the forms of “secret formulas,” recipes, operating procedures, processing methods, customer and vendor lists, and other customer data, such as order histories, product preferences, and internal contact information.

Now on to game strategy.

## II. PLAYING OFFENSE: HOW CAN I PROTECT THE INTELLECTUAL PROPERTY OWNED BY MY BUSINESS?

**A. Have a patentable idea?** Act quickly. File a patent application in the U.S. Patent Office. The U.S. has a “first to file” patent system, meaning that an inventor should fast break to the Office - file an application covering a potentially valuable and patentable idea. And until the application is on file, the safest approach is to treat information about the valuable idea as a “trade secret” (more on that below). Another offensive tip: working with non-employees of a business on that business’ great new idea may generate a risk of creating an unintended co-inventor and/or co-owner of the invention.

**B. Want to make sure no one takes the business name or logo?** The first move is to the right: put warning notices to the right of the words, logos, or designations that the business intends to protect as trademarks. On unregistered marks, a business may use the common law trademark warning notices, “™” for a trademark or “SM” for a service mark. The notice informs the public that the user intends to protect exclusive rights in the mark. These notices tend to deter competitors from adopting confusingly similar marks. Trademark owners may use the registered trademark symbol “®” only on marks that are already registered in U.S. Trademark Office.

The second move is registration. For those marks eligible for registration on the Principal Register of the U.S. Trademark Office, registration provides valuable protection to trademarks, including significant presumptions, public notice effect, and procedural advan-

tages in infringement litigation. In my view, it’s one of the best steps a small business can take; it’s like practicing to hit your free throws. The application could be boxed out, however, by prior conflicting registrations or applications, or by the Trademark Office’s refusal to register the mark on grounds that it is merely descriptive of the goods or services, is geographically descriptive, or other grounds. As a lower-cost but lower-pro-

tection option, businesses may register their marks in state trademark registries, usually managed by the office of the Secretary of State or commerce department of a state government. Although state registrations offer fewer procedural protections, they appear on full trademark searches conducted by others in the future, tending to deter others from adopting conflicting marks.

Trademark laws require owners to “police” their trademarks, meaning that, when a trademark owner learns of an infringement of its mark, the owner must take steps to stop the infringement. Trademark owners must protect “the ball” at all times. Over

time, failure to police yields a risk of losing at least some of the breadth of the owner’s trademark rights. The policing requirement gives rise to the many “trademark bully” stories about a big company sending nasty letters to small companies, demanding that they cease and desist from use of marks deemed too close to the big company’s mark.

**C. How can I protect my business’ copyrightable works, like artwork, photographs, databases, and computer programs?** First, to help deter unauthorized copying, mark key copyrightable works with a copyright notice such as “© 2020 ABC Company.” Different formats of this notice will work; this one follows the format of “© (year of creation or first publication) (name of copyright owner).” Copyright owners may use this notice on unregistered works. Also, consider using appropriate anti-copying markings on important materials, such as watermarks or other warnings like “Property of \_\_” and “Confidential.”

In general, copyright assignment agreements must be in writing; this way, players know when they are outside their zone. Small businesses should obtain written assignments of copyrightable materials created for the

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business by outside vendors. Even though employees' works automatically may belong to their employer as "works for hire," small businesses should enter written agreements with their key employees that confirm the business' ownership of critical business properties created by those employees.

Recent case law makes it clear that businesses should register their most important copyrightable works in the U.S. Copyright Office. The rights to sue infringers and qualify for certain statutory damages for copyright infringement may be curtailed by failure to file timely applications for registrations of copyrights. Register early to avoid shooting airballs in court.

**D. Have a trade secret that gives your business advantages over competitors?** Small businesses sometimes suffer when disgruntled ex-employees or vendors walk off with key trade secrets in hand, and use them to benefit a competitor. Another common problem arises after a potential or active competitor fakes interest in purchasing the business, but really just wants to snoop around to learn the business' secrets. Businesses should enter non-disclosure agreements (NDAs) with employees, vendors, and competitors, as their first strategy to protect their secrets in these instances. But frankly, NDA terms tend to be difficult to enforce, so beware of the sneaky steal and try to control the floor by controlling flow of secret information. As another strategy, businesses may use non-compete agreements with employees in effort to control the flow of secret information to competitors after employment ends.

### III. PLAYING DEFENSE: HOW CAN I AVOID INFRINGING INTELLECTUAL PROPERTY RIGHTS OWNED BY OTHERS?

**A. I want to make sure my business' name or logo doesn't infringe someone else's trademark.** Every coach should have a good scout; small businesses should use trademark searches. Under U.S. law, the first trademark user in a given type of business in a given territory has priority in that mark, subject to limitations on merely descriptive terms that may be used by all competitors. The first trademark user in a market is entitled to stop

later uses that are likely to create confusion in that market. The law applies "likelihood of confusion" as the test for infringement of a prior user's rights.

To scout for problems, always start with a trademark search when adopting a new mark. The first moves are informal, quick-and-dirty screening searches, where one conducts some web searches, and searches databases of the U.S. Trademark Office, the Secretary of State corporate names database, and the state trademark registry. Are there prior marks that appear to be confusingly similar to the proposed mark? If not, then the next step is to obtain a full trademark search and availability opinion from a trademark lawyer, to assess fully the risks associated with adopting the new mark.

**B. How can I be sure I'm not infringing someone's patent?** Short answer - it's difficult. The U.S. Patent Office has issued so many patents, it takes a lot of searching and study to determine if a business' practices infringe a patent claim. Patent attorneys offer "freedom to operate" opinions on this point, but obtaining such opinions may be costly. Small businesses are advised to act quickly to consult a patent lawyer if someone alleges that the business is infringing a patent.

**C. How can I avoid IP trouble when I'm creating a new ad or website?** Small businesses sometimes commit the rookie mistake of direct copying of advertising text or photographs. Watch over the players for foul trouble; check over the work of the business' employees and vendors to make sure copyrightable materials prepared for use by the business were not directly copied without appropriate licenses. And tamp down the trash talk. Make sure the business can prove that the factual statements in its advertisements are truthful, especially if the ads mention competitors or their products.

With some game strategy, small businesses can increase their win percentages. Intellectual property lawyers stand by with scouting reports and coaching to help.

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