

Instant Expertise: 25 Things to Know About Intellectual Property in Everyday Legal Practice

by Glenn A. Gundersen

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■ Trademarks and Tradenames

- 1. Always consider searching new business names, product names, logos, slogans, and trade dress before they are used.** Trademark rights belong to the first person to use or file for registration. Whoever has superior rights can enjoin a newcomer from using a similar mark, even if the newcomer wasn't aware of those superior rights. A search can reduce the risk that the client will become involved in an infringement dispute and lose its investment in a new mark.
- 2. State corporate name clearance does not mean the name is available for use in selling products and services in the marketplace.** State clearance only means that no other corporation by that name has been incorporated or qualified in that state. A trademark search is required to determine the risk of confusion with another mark in selling goods or services to the public.
- 3. Trademark registration isn't required, but the benefits usually outweigh the costs.** Trademark registration can reduce the potential for infringement disputes, and can create nationwide rights even if a mark is initially used locally or regionally. It also allows new marks to be "reserved" -- federal registration affords nationwide protection for a mark as of the date the application is filed, even if actual use does not begin until months or years later. Once a client decides on a particular mark, it's a good idea to try to "lock up" rights to that mark by filing promptly.
- 4. Anything that the public identifies with a particular business is fair game for trademark protection.** Clients should be careful before engaging in knockoffs -- trademark law protects the distinctive look of packages, products, and places of business, not just brand names. In some circumstances, protection also exists under copyright or design patents.
- 5. Don't leave domain name availability as an afterthought.** The stockpiling and piracy of Internet addresses has become an industry. Checking the availability of a domain name, and securing it if available, should be a part of the brand name selection process, not an afterthought following the announcement of the name.

- 6. Trademark rights are territorial.** The fact that a company has established rights in a mark in the U.S. doesn't necessarily mean it has any rights in other countries. Marks must be searched, cleared, and registered on a country-by-country basis, preferably in advance of the company using it to do business there.

■ Copyrights

- 7. Registration isn't required to obtain protection for copyrights.** However, copyright registration is a prerequisite to filing a lawsuit. It also gives copyright owners more leverage against infringers by making it easier to obtain damages. Consider registration for any copyrighted works which are likely targets of unauthorized copying.
- 8. Just because you've paid someone to create a copyrighted work doesn't mean you own it.** In the absence of a written agreement, software belongs to the programmer who created it, and ad copy and photographs belong to the personnel who create them. The person who paid for it only has a license to use it. Require ad agencies, software developers, and other freelancers and their subcontractors to execute copyright assignments.
- 9. The lack of a copyright notice doesn't mean something can be freely copied.** Copyright notice was once a prerequisite to copyright protection, but no longer is. Assume that works created after 1923 are still protected by copyright until a search or investigation shows otherwise.
- 10. Copyright protection outside the U.S. is to a substantial degree automatic.** Unlike trademarks, most new U.S. copyrighted works are protected throughout most of the world without the need for the copyright owner to make any filings or use any notice. However, the term and extent of copyright protection differs from country-to-country. Some older works which are protected in the U.S. may be in the public domain elsewhere, and vice versa.

■ Patents

- 11. Companies need to take steps to make sure that they own the inventions its employees create.** For employees hired to invent, there may well be an implied obligation to assign inventions to the employer. However, all technical employees should be required to execute agreements specifying that all inventions belong to the employer and will be assigned to the employer, and that the employee will cooperate in seeking patent protection. This commitment is important because a patent application is filed in the employee's name and then assigned to the employer.
- 12. Timing can be critical for securing patent protection for a company's inventions.** Under U.S. law, a patent application must be filed within one year after the public disclosure of an invention or its sale or offer for sale. In Japan,

Canada and the industrialized countries of Europe, even that one-year grace period is not available. Any disclosure should be planned and timed carefully with an eye toward protecting worldwide rights.

■ Licensing

13. **Allowing a third party to use intellectual property usually requires a written license.** As a business matter, it's usually a very good idea to carefully define and limit a licensee's right to use intellectual property. In the case of trademarks, the lack of a written license could be fatal -- if a trademark owner allows others to use the mark without controlling the nature and quality of the branded goods/services, it may have jeopardized ownership of the mark.
14. **The right to sublicense isn't implied.** If a license is silent, there is generally no right to sublicense.
15. **Licensing outside the U.S. usually requires tax counsel and foreign IP counsel.** Restrictions on licensed IP (especially technology) vary widely, as do rules on royalty income. Registered user requirements survive in some countries.

■ Trade Secrets

16. **Don't forget that some valuable corporate assets are protected only as trade secrets.** This includes not just technology but other data such as marketing information. Consider whether a confidentiality provision belongs on the checklist for each transaction.

■ Mergers & Acquisitions

17. **Schedules of intellectual property being sold are inevitably incomplete.** Almost every company has some intellectual property which is incapable of being listed on a schedule (trade secrets, unregistered copyrights, trade dress) or easily overlooked (unregistered trademarks). Never warrant or assume that schedules contain all intellectual property -- some items must simply be broadly described in the definition of the "intellectual property" assets to be transferred.
18. **What is scheduled is not necessarily correct.** More often than not, there are omissions, typos, and errors as to title. A due diligence database search can clear up these problems.
19. **A bill of sale is usually insufficient to transfer intellectual property.** In order to perfect the transfer of title in trademark applications and registrations and in patents and patent applications, a separate assignment document must be recorded in the patent or trademark office in each relevant country. Transfers of U.S. copyrights must be in writing, and should be recorded with the U.S.

Copyright Office. Not surprisingly, each office in the U.S. and abroad requires its own peculiar form, with special transfer language peculiar to trademarks, patents, or copyrights. U.S. trademarks should be transferred with goodwill, and U.S. copyrights with renewals. Special restrictions apply to the transfer of pending U.S. intent-to-use applications.

20. **In breaking up a business, you can't necessarily split the trademark.** If buyer and seller will each use the same mark in related fields post-closing, one of them will need to retain ownership and the other will have to use the mark as a licensee.
21. **The clock starts ticking the day the deal closes.** An IP portfolio comes with deadlines attached -- trademark and copyright renewals to be filed, patent annuities to be paid, application deadlines to be met. A buyer needs to be prepared before closing to meet the deadlines after the assets are transferred.

■ **Financings**

22. **There is no single fail-safe method for perfecting security interests in intellectual property or for searching liens on IP.** The law is confusing as to whether one perfects by filing a UCC-1, or by filing with the Patent, Trademark, and Copyright Offices. The rule of thumb is to search and file in both places -- where a UCC-1 for general intangibles would be filed, and in the relevant federal office. Beware when giving legal opinions on perfection. Also, be wary of a clean search -- the Copyright Office, for example, can take 6 months to record a lien.
23. **Don't assume that the schedules of trademarks, patents, and copyrights are correct.** As in acquisitions, there are usually omissions, typos, and title problems. A due diligence database search can clear up these problems.
24. **In security agreements, beware of lender reps, warranties and covenants concerning intellectual property.** They almost always contain provisions with which the borrower cannot comply.
25. **Some lenders still don't know how best to take an IP security interest.** Be particularly wary of security arrangements in which the borrower is asked to make an outright transfer of trademarks rather than simply granting a security interest; this practice is discredited, but still lives on. It is unwieldy and unnecessary, and can, in the case of trademarks, lead to disaster, destroying the very rights it is meant to protect.