

## THE OVERVIEW

*Intellectual property is often mistakenly viewed as an exotic company asset. An intellectual property portfolio is within the grasp of even the smallest company. In this first issue of the Intellectual Property Counselor, we examine the role of intellectual property rights in prohibiting certain types of actions while condoning others. In "Intellectual Property: An Overview" we discuss the basic types of intellectual property in the United States and their protections. "Trademark Rights? Sure, Why Not" addresses the myths surrounding trademark acquisition. In "Fair Use: An Often Misunderstood Copyright Infringement Defense" we examine how copyright infringement acts are often allowed. In "They Took It All" we spotlight inexpensive mechanisms for how businesses can protect their intellectual property.*

## They Took It All

**C**opyrighted material and trade secret material share a common problem: it is often impossible to ascertain whether a competitor's use of similar material is lawful or unlawful. Neither copyright nor trade secret protection is effective to prevent another from independent development. When either trade secret or copyright litigation rolls around, there is always the inevitable charge of unlawful taking and copying, respectively. As inevitable as the charge is, the subsequent response of independent development – or sometimes derivation from a third source. There will (almost) never be video tape evidence of copying, nor will there likely be any surprise admission of copying; proving copying most often results from a tedious and expensive review of a defendant's documents. The purpose of this article is to provide a business owner who counts trade secrets or copyrights among its assets and wants to enforce the copyright and trade secret rights as inexpensively as possible. There is an old intellectual property attorney trick that often works with devastating effects in litigation and drastically slashes litigation expenses.

It is probably first appropriate to discuss briefly how copyrights and trade secrets are created, and how each may be unlawfully taken. A trade secret protects any confidential information that bestows an economic advantage. Trade secret laws protect against any taking where the actions of the taker are inherently wrongful. Such wrongful actions include wiretaps, dumpster diving, aerial surveillance, questioning employees (or ex-employees) of a competitor for trade secrets, etc. Independent development defeats all forms of trade secret claims. A copyright protects any original expression affixed in a tangible medium. Copyright law protects against those who copy the expression for purposes of distribution, performance, adaptation, reproduction, and public display. Copyrights only protect against copyists; independent creation defeats all forms of copyright claims.

The defense theme common to copyright infringement and trade secret misappropriation is that independent development is a bar to recovery by the aggrieved party. Although the defendant has no duty to state that it independently created the work or information that is the subject of the suit, it will likely deny the taking – which amounts to an assertion of independent development. The plaintiff can either embark on sweeping document requests and other discovery tools, or with the assistance of some pre-planning, engage in surgical strikes for information at minimal costs for great effectiveness.


PLANT DUMMY INFORMATION into your confidential

information. Thus, an employee, competitor, or other wrongdoer takes the secret as well as the dummy information. The dummy information acts as a beacon that signals a defendant's wrongdoing to the court. Let's discuss some general targets for the insertion of dummy information.

The most common, and generally the most valuable, trade secret of a company is its customer list. The work that a company puts into winnowing valuable customers from the general marketplace, complete with contact information, affinities, and shared information is highly protected. A company's master client list should include fake names with fake addresses and fake orders. It is even more preferred to include friends or relatives on the customer list, in the guise of legitimate companies of course. A competitor will have a hard time explaining to a jury the rationale for mailing product solicitations for bulky industrial equipment to your Aunt Susie's apartment. This is akin to the trick pulled in *Feist Publications, Inc. v. Rural Telephone Services Co.*, 499 U.S. 340 (1991) where a telephone book publisher distributed telephone listings. A second telephone listing service subsequently appeared with roughly identical telephone listings. Unwittingly the second-in-time service included both the legitimate and fictitious telephone listings of the publisher. Needless to say, copying was conclusively proved.

For those companies that develop software products, put a healthy dose of inoperable or pointless source code into your product. Pointless source code that becomes pointless object code is particularly useful. It is presumed that a company would avoid pointless or redundant routines in its software, and when a pointless routine for one company matches the pointless routine of a company that first peddled the product, the evidence is damning.

For companies that create visual works, try to work false entities into your work. Maps are famous among copyright attorneys for having streams and streets that do not exist. Pictures may include later-added small additions that clash with the photograph. For example, a photographer of a dollar bill might decide to alter the bill in a computer graphic program to have the serial number of a bill printed in a different mint. Consider inserting bizarre objects in miniature in the background, or simply inject secretly hidden information into the picture – budget permitting.

It is probably evident how dummy information injection quickly eliminates disputes over facts relating to the taking of information. This simple tool can place effective enforcement in the hands of even the smallest client. 

## Inside this issue

They Took It All .....PAGE 1

Trademark Rights? .....PAGE 2-3

Fair Use .....PAGE 3-4

Intellectual Property in the United States .....PAGE 4

## General info

General Counsel, P.C. provides full service legal representation to businesses and non-profit organizations throughout Washington, D.C., Maryland and Virginia. To best serve our clients, we have the following practice groups: Corporate; Government Contracts; Labor/Employment Law; Litigation; Intellectual Property; Estate and Business Succession; Probate and Estate Administration; and Non-Profit Organizations.

Our Intellectual Law Practice Group is pleased to provide you with this edition of The Intellectual Property Counselor. Lead by Keith Blankenship, General Counsel, P.C.'s intellectual property experience ranges from the protection of international product manufacturers and distributors to local artists. The intellectual property division of General Counsel, P.C. strives to individualize intellectual property asset creation and protection mechanisms with a focus on profitability for the client.

The articles in this edition of The Intellectual Property Counselor reflect issues that have confronted our clients. For assistance related to any of the legal matters discussed herein, or any other legal matter, please contact us at (703) 556-0411 or via email at [info@generalcounselaw.com](mailto:info@generalcounselaw.com).

The articles in this edition of The IP Counselor reflect issues that have confronted our clients. For assistance related to any of the legal matters discussed herein, or any other legal matter, please contact us at (703) 556-0411 or via email at [info@generalcounselaw.com](mailto:info@generalcounselaw.com).

Fall 2008 Edition © Copyright 2008  
The IP Counselor is published by General Counsel, P.C. It is not intended to provide legal advice or opinion. Such advice may only be given when related to specific fact situations.

8662 Elm Street, Suite 800  
McLean, VA 22101  
main 703.556.0411  
fax 703.556.6540  
[www.generalcounselaw.com](http://www.generalcounselaw.com)

# Trademark Rights?

Sure, why not.

*"Oh, you mean the way Paris Hilton owns the term 'That's hot'?"*

In an intellectual property seminar I had just explained to a group of business owners how trademark rights are acquired and protected, and questions began to rain down upon me about trademark ownership. I am an unfair competition attorney; I create, enhance, enforce, and transfer trademark rights. It is a wonderful sort of attorney to be as it allows incredible opportunities to create property rights from marketing. I smiled when I heard the above question because this is simply another example of a trademark attorney doing what I, and others like me, do every day: protecting a source from copyists. I hear forms of this question often, usually from an incredulous layman referencing celebrities and catchphrases or product suppliers and common sayings. The answer is no, of course; no one can simply acquire trademark rights in a pre-existing term for informational use. The answer, however, stems from a mixture of complex legal doctrines and simple commercial concepts. I pen this article to place some of them before you, the reader.

I prefer to begin a discussion of trademark rights with the surprising statement that trademark rights are free and do not require the filing of a single document to any government entity. There are, however, other restrictions unrelated to trademark rights that may figure in releasing a branded product or service, such as: registration with a secretary of state, local business licenses indicating the product, etc. This article deals only with the aspects of trademark ownership, not government permissions. Trademark rights are not created by any U.S. government entity, ever. Trademark rights derive from use in commerce. Even when the ultimate government intellectual property entity, the U.S. Patent and Trademark Office, grants a trademark registration, it does not really grant trademark rights; instead, the registration merely enhances the strength of pre-existing trademark rights.

Beware of agencies that purport to pass out trademark rights or sanctify names. No government agency can distribute conclusive trademark rights, not even the U.S. Patent and Trademark Office. Surprise. In fact, I would estimate that at least 80% of business owners that wander into my office bearing a cease-and-desist letter have received some sort of clearance from a state agency to use the term that instigated the litigation threats.

**TIP #1: Trademark rights are a federal matter and permissions from a state are generally irrelevant to one's ability to use a mark. If you seek trademark rights, see a trademark attorney.**

I would like to return to a statement that I feel may have been inadvertently buried in one of the above paragraphs: trademark rights derive from use in commerce. Trademark rights do not exist to protect its user, nor suppress a competitor; trademark rights exist to prevent consumer confusion. Wherever a substantial consumer base recognizes a non-functional device in relation to a product or service, trademark rights exist. The device may include a term, a phrase, shapes, logos, sounds, etc. Whenever a second device introduces itself to the consumer base, and that second device is likely to be confused with the first device, trademark infringement exists. That consumer base may be McLean, VA or it may constitute the entire United States, but note that any reference to the need to register the device was noticeably absent. The lifeblood of the trademark is consumer recognition, not government approval.

Be sure that when your business seeks to own a device as a trademark that it is appropriately marked with a 'TM' or 'SM' in superscript. The 'TM' tag is appropriate for devices that relate to the sale of goods; the 'SM' tag is appropriate for devices that relate to the sale of services; if your business uses a device for both, use 'TM.' These tags indicate to consumers that you intend to use this device to distinguish yourself from your competitors. That's all; no government approval is required.

**TIP #2: Go ahead and use TM or SM in conjunction with the terms that designate your company's goods and services.**

Notwithstanding the above, simply marking devices as trademarks or service marks does not by itself mean that the devices are truly protectable. On one hand, a device may be confusingly similar to an existing device and therefore be an impermissible infringement of pre-existing rights. It is important to have marks cleared prior to use. On the other hand, marks can only exist as trademarks if they are distinctive of a product or service. This leads to the third tip.

**TIP #3: Only use distinctive terms and devices to indicate the source of your products and services.**

Only distinctive marks can acquire trademark rights or be registered with the U.S. Patent and Trademark Office. Inherently distinctive marks, absent issues of confusion, can be immediately registered and protected. An inherently distinctive mark is a mark that is fanciful, arbitrary, or possesses a suggestive meaning. A fanciful mark is one that only has meaning in the context of branding; in other words, the wording of the mark did not exist prior to the mark's use: e.g., KODAK film. An arbitrary mark is a mark that comprises existing words or pictures, but the words or pictures are unrelated to the product or service: e.g., APPLE computers. A suggestive mark comprises words or pictures that suggest characteristics of the product or service: e.g., MUSTANG cars.

Although inherently distinctive marks are capable of immediate registration and protection, other non-inherently distinctive marks can be registered and protected after a substantial evidentiary showing of secondary meaning. Normally descriptive marks, marks that describe a product (e.g., Pizza Hut or International Business Machines), cannot be registered or protected as trademarks. However, if the relevant consuming public begins to recognize the descriptive mark as a trademark, rather than a description, then the mark will acquire the protection afforded a trademark.

**TIP #4: Avoid terms that describe the attributes of the product as indicators of product source. Even when acceptable as a trademark, the trademark will be cursed with a near-futile weakness.**

Having distinctive devices is not sufficient in itself to create trademark rights. Those devices must be used in a manner that indicates source. In other words, when a consumer sees the device, the consumer must realize that the device relates to the origin of the product. Ideally, when the consumer sees that same device again, the consumer will be able to conclude that the product bearing that device derived from the same source as the device previously encountered. This problem generally arises in companies that manufacture clothing.

I would guess that approximately 20% of inquiries directed to a trademark attorney from potential clients come from companies that wish to start a clothing company. The scenario plays out thusly: a person thinks up a witty phrase or fascinating design and wishes to exhibit the phrase or design on T-shirts believing that consumers will purchase the shirts in droves. The person intelligently concludes that

the only difference between his T-shirts and other T-shirts is the presence of the phrase or design, and realizes that the phrase or design must be owned as property. The problem, however, lies in whether the average consumer that looks at the front of a T-shirt considers the design or phrase thereon as an indicator of source. In plain English, when a consumer sees a shirt that says "Hooray for beans!" the consumer would likely conclude that the wearer is a proponent of beans rather than a purchaser of a HOORAY FOR BEANS brand T-shirt. Countless numbers of federal trademark applications have been rejected on the basis that the applicant submitted specimens portraying the mark on the front of the shirt rather than a position that indicates source. Indications of source for clothing belong on the tag. It is so sad to see the wasted funds and time that resulted from novices attempting to register marks on T-shirt fronts, when a \$10.00 budget, a mediocre printer, and a map to JO-ANN FABRICS (to buy blank tags and thread) could have solved all the problems confronting the applicant.


**TIP #5: Appropriately position the devices intended to serve as marks. Each thing that you intend to be independently recognizable as a mark, in at least a substantial number of uses, should be positioned distinctly from information and other intended marks.**

I began this article with a question from one of my legal seminars; I would feel ashamed to continue this article without squarely confronting it. The answer is no, as you now understand from tip #5 in light of tip #3. No one can own a term that is primarily informational, particularly without reference to a particular product or service. "That's hot" does not indicate the source of a product or service – unless courts begin to

consider the field of being a socialite a commercial service. This is the sort of baloney that trademark attorneys routinely propagate with a little help from tip #2. Many terms purported to be trademarks are not; but if the perception of trademark status prevents copying, then isn't the designation of trademark status worthwhile irrespective of its low likelihood of successful enforcement? Creating the perception was free, and the perception still enjoyed widespread (likely inaccurate) belief that presumably allowed one particular socialite to distinguish herself from other socialites.

Keep records of marks: their uses, updates to the marks, and their scope of use in time and geographic extent. Enforcing trademark rights is often an exercise in document production, each side attempting to pre-date the other in a particular geographic region.

**TIP #6: Trademark rights are enforced by reference to uses of the trademark. Keep detailed records of those uses.**

If a business adheres to the above principles and tips, it will be in better shape than most of its competitors in creating substantial rights and avoiding legal entanglements. I know, it takes a little boldness to simply designate trademark rights by the stroke of two computer keys – as if one possessed a magic trademark wand. A trademark portfolio may be acquired on any budget, and there is no excuse for a business to do without. 

*M. Keith Blankenship, Esq.*  
*General Counsel, P.C.*  
*kblankenship@generalcounselaw.com*  
*703-226-1865*

## Fair Use:

### An Often Misunderstood Copyright Infringement Defense

**Infringement** is the intellectual property version of real property's trespass and personal property's conversion. Trespass and conversion are legal terms that describe a defendant's actions that interfere with the use and enjoyment of the property by the property owner. The copyright owner has a property right in his work of authorship, and an infringer is using that property in an unauthorized fashion. Just as with real or tangible personal property, the trespasser/infringer may be damaging the property in his use, or not; in either case, a property owner has a right to exclude someone from his property simply because it belongs to him. To prove infringement, the copyright owner must prove ownership of a valid copyright and copying of the copyrighted work. A legal defense is a set of facts that, if proved, absolve a party that would otherwise be held liable for an action. Fair use is copyright law's version of insanity; yes, you are liable/guilty, but you should not be legally held accountable.

From the infancy of copyright protection, some opportunity for fair use of copyrighted material has been necessary to fulfill the copyright law's general purpose: promotion of the arts. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). "Fair use" evolved from a crudely applied judge-made doctrine to an important addition to the copyright code. 17 U.S.C. § 107 (1992). At the time of its drafting, Section 107 was merely meant to restate the evolutionary culmination of fair use. *Id.* The fair use doctrine exists to permit (read as: require) courts to avoid rigid application of the copyright code when such an application would stifle the very creativity that the copyright code was created to foster. As the old joke goes: to steal from one is plagiarism, but to steal from many is scholarship.

Fair use is not a bright-line test, it is a battle of persuasion waged by attorneys. Fair use has been deemed to be so flexible that it defies definition. *Time v. Bernard Geis Assoc.*, 293 F.Supp.130 (S.D.N.Y.1968). To say that it defies definition is perhaps dramatic, but illustrative of the grayness. There are, of course, rules; Section 107 lists the **four factors determinative of fair use**:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. The nature of the copyrighted work;
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. The effect of the use upon the potential market for, or value of, the copyrighted work.

17 U.S.C. § 107. Because fair use is an affirmative defense, the proponent shoulders the burden of persuasion.

A judge examines the "purpose and character of the use" to divine whether the new work merely supersedes the objects of the original creation, or adds something new, with an altered character. Alterations that are additive or that create a substantially different work have added to the nation's supply of science and arts, and are therefore, welcomed. Such altered works are known in copyright lingo as "transformative" works.

## Fair Use: An Often Misunderstood Copyright Infringement Defense (CONTINUED)


Section 107 cites specific examples of transformative works such as criticism, news, commentary, and the like. The Supreme Court in 1994, via the Campbell case, ostensibly added parody to the list of transformative works. This makes sense; works of parody, news, commentary and criticism have at least one significant relationship: each work often requires information derived from another, potentially copyrighted, source. The new source must rely on the original source for proper purposes, not merely borrowing from an author that either did a better job or is simply more well-known. The constitutional protection given to commentary, news, criticism and parody forges a powerful defense that dwarfs the commercial benefits of authorship protection.

The “nature of the copyright” is a good indication of the strength of the copyrighted work. Some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied.

The “amount and substantiality of the portion used in relation to the copyrighted work as a whole” is self-evident. With this factor, a judge attempts to discern whether the copyst did appropriate a reasonable amount of the copyrighted work. Reasonableness is determined by both quantity and quality of the work taken. Though it is not necessary to discern the bare minimum that can be taken to

achieve a fair use objective, there is a line that a borrower ought not to cross. A borrower need not be awed into avoiding necessary works simply because he seeks the heart of copyrighted subject matter; sometimes the heart is the only portion that will suffice.

The “effect of the use on the potential market for, or value of, the copyrighted work” factor deals with the economic realities and policies behind protecting original works of authorship. The Supreme Court explicitly states that the fourth factor is the most important. *Stewart v. Abend*, 495 U.S. 207, 210 (1990). This highly commercial fourth factor has two factors: a micro and macro factor. Regarding the defendant’s specific actions with regard to the plaintiff, it is important that the allegedly infringing work not serve as a market substitute for the copyrighted work. Regarding the defendant’s actions as might be repeated by other copyists, a court must determine whether unrestricted and widespread conduct of the sort undertaken by the defendant would result in a substantially adverse impact on the potential market for the original. *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 568 (1985).

After all, a court that allows a specific defendant a particular set of actions implicitly allows others similarly situated to the defendant, to engage in similar conduct against those similarly situated to the plaintiff. 

## Intellectual Property in the United States

*This summary of Intellectual Property Law in the United States was prepared by Keith Blankenship, who heads General Counsel, P.C.’s Intellectual Property Practice. If you have any questions, please do not hesitate to contact Mr. Blankenship.*

### Intellectual Property Generally

Intellectual property law protects works that, although intangible, merit the attributes of personal property. As with personal property, intellectual property may be sold, leased, or simply maintained in order to exclude others from the use thereof.

### Patent Rights

A utility patent protects any new, useful, and non-obvious invention. Patentable subject matter may include compositions of matter, machines, articles, or processes – even software, business methods, and modified organisms. A patent prevents any entity from making, using, selling, or even offering to sell the patented invention within the United States for a period of twenty years from the date that the patent application was filed. Prior to issuance, patent applications undergo a rigorous examination by the United States Patent and Trademark Office. A patent is the sole means of protecting the functional characteristics of a new product or process.

### Trademark Rights

A trademark is a word, phrase, or symbol that is distinctive of goods or services and is used in a manner that identifies and distinguishes a user’s goods or services from those of others. Trademark protection extends to words, phrases, pictures, sounds, and colors. Trademark rights derive from the use of a mark in interstate commerce, and operate to protect a mark from confusingly similar marks in the geographic area in which consumers recognize the mark. Trademark rights almost always exist prior to government registration, which extends the geographic scope of the mark throughout the entire United

States and its territories. A foreign trademark owner with a trademark registered outside of the United States may, in certain circumstances, rely on that foreign registration to extend its trademark rights in the United States.

### Copyright Rights

Copyrights protect original works of authorship fixed in any tangible medium of expression. Works of authorship are the outcomes of endeavors that require at least slight amounts of creativity; and the affixation requirement generally protects all expression other than unrecorded live performances. Copyright registration is not a prerequisite to obtaining copyright rights; instead, the copyright exists the moment that expression is affixed into a tangible medium. Foreign copyrights may be enforced in the United States according to international treaties that often obviate the necessity of registering a copyright in more than one country. Copyright protection extends beyond mere copying; a copyright owner may enforce its right against all who attempt to reproduce, make derivative works of, distribute, perform, display, and digitally transmit the copyrighted work without the owner’s permission. A copyright only protects the expressive aspects of work, and never the functional components. Lastly, to be a copyright infringer, one must actually have perceived the copyright owner’s original work.

### Trade Secret Rights

A trade secret is secret information that can be used in a business enterprise to bestow a competitive advantage. Trade secret laws exist to punish competitors that attempt to acquire a trade secret by taking active, wrongful measures to acquire it. Although a secret may potentially last as long as the information remains secret, trade secret laws do not prevent others from acquiring the information of the trade secret through legitimate means, such as reverse engineering. 