

TEN COMMON INTELLECTUAL PROPERTY MISTAKES IN BUSINESS

Most businesses are aware that intellectual property can be a valuable asset, but still either fail to properly protect their own intellectual property or misuse the intellectual property of others. Below are some common legal mistakes that businesses make, endangering their own intellectual property and increasing their chances of a lawsuit:

(1) "Borrowing" a Picture from the Internet for Your Company's Website

A picture may be worth a thousand words but you need to follow the golden rule – "If you did not create it, don't assume you have the right to use it." The creator of any original work of authorship, including a picture, is the owner of the copyright and has the exclusive right to control all use of that picture, including the right to display it. Any use of the picture without permission from the copyright owner may constitute infringement.

(2) Misunderstanding the Limitations of "Fair Use" of a Copyright

"Fair use" of another person's copyrighted material is limited to criticism, comment, news reporting, teaching, scholarship and research. Common mistakes are to use someone's materials for your company's own marketing pitch or to use a small portion of someone else's source code for an ancillary function of software that your company is creating. The distinction between fair use and infringement can be unclear and not easily defined. There is no specific number of words, lines or notes that may safely be taken without permission.

(3) Relying on Attribution of Source vs. Obtaining Permission to Use

Plagiarism and copyright violations – although related – are not the same thing. Plagiarism derives from the ethical principle of not passing off someone's work as your own, while copyright is the protected expression of ideas in a fixed medium under the law. While acknowledging the source of copyrighted material may be a defense for plagiarism, it may not substitute for obtaining permission under copyright law.

Patents, Trademarks & Licencing Practice Group

Paul C. Remus, Esq.
Chair

603.695.8506
premusa@devinemillimet.com

Raymond I. Bruttomesso, Esq.

603.695.8525 or
978.289.1241
rbruttomesso@devinemillimet.com

Alexander J. Walker, Esq.

603.695.8553
awalker@devinemillimet.com

Claire R. Howard, Esq.

603.695.8541
chowarda@devinemillimet.com

Kristin A. Mendoza, Esq.

603.695.8576
kmendoza@devinemillimet.com

DEVINEMILLIMET.COM

IPALERT@DEVINEMILLIMET.COM

(4) Lifting “Open Source” Code to Write a Software Program

A common misperception is that open source is available to users in the public domain without restriction. However, this is generally not the case. Open source is subject to a special type of licensing arrangement that permits users to use, modify and further distribute the source code **but** also provides that if open source is incorporated into a user’s own proprietary source code, then the source code for the entire program (open source + proprietary) must be made available to others on the same terms as the existing open source license. Remedies available when open source is used in violation of its general public license can include requiring the infringing company to release the proprietary source code used with the open source software to the public; requiring the re-engineering of the product to remove the open source software; and, obtaining an injunction to force the removal of the infringing products from the marketplace.

(5) Failing to Enter into Agreements with Employees to Define Ownership of Work Product

As mentioned above, the general rule is that the creator of a work is the copyright owner. One exception to this rule is the category of works known as “work made for hire.” If the creator is an employee, then the resulting work will generally be a work made for hire. However, if the employee creates work on his own time or on his own computer at home that is used by your business, then the question can arise as to whether the company or the employee owns the work product. A written agreement is often still advisable, as the definition of an employee for copyright purposes may not be as that term is commonly understood.

(6) Failing to Enter into Agreements with Third Parties to Define Ownership of Work Product

If the creator of a work is an independent contractor, then in order to classify the work as a “work made for hire,” the work must be of a specific character as described in the U.S. Copyright Act and there must be a written agreement clearly identifying the work as a “work made for hire” in order for the business that commissioned the work to be considered the original author for copyright purposes. Moreover, many independent contractor relationships do not meet the “work made for hire” test under the U.S. Copyright Act and written assignment of the work product from the independent contractor to the business is typically required. Failure to enter into a written agreement can result in the independent contractor retaining ownership of the work product and can subject the business who paid to have the work created to claims of copyright infringement by the independent contractor.

(7) Adopting a Trademark without a Search or Relying on only Free Resources

There are few things worse than spending time and resources on building a brand around a trademark that is denied registration by the U.S. Patent and Trademark Office. One thing that is worse is that trademark landing your company in a lawsuit. Professional searches, although a significant upfront

Office Locations:

111 Amherst Street
Manchester, NH 03101
T 603.669.1000
F 603.669.8547

300 Brickstone Square
Andover, MA 01810
T 978.475.9100
F 978.470.0618

43 North Main Street
Concord, NH 03301
T 603.226.1000
F 603.226.1001

investment, will identify practically any use of a similar mark in the United States, whereas trademark searches utilizing free resources often will not identify all uses of a mark that may be of concern.

(8) Falling in Love with a Descriptive Trademark

Companies love descriptive marks because they let the consumer know right away the nature of the goods or services being offered (e.g., DIAL-A-MATRESS for telephone shop-at-home mattress retail services). Unfortunately, descriptive marks provide very weak trademark rights and, in most cases, cannot be federally registered. As a result, competitors can adopt similar variations and create brand confusion in the marketplace. As consumers' purchasing decisions are constantly influenced by branding, creating a strong trademark from the start is generally a better approach.

(9) Using ® When Your Trademark Is Not Federally Registered

The federal registration symbol ® may be used once the mark is actually registered in the U.S. Patent and Trademark Office. Even though an application is pending, the registration symbol may not be used before the mark has actually been registered. The federal registration symbol should only be used on goods or services that are the subject of the federal trademark registration. A business that improperly uses the federal registration symbol with a deliberate intent to deceive or mislead the public may be liable for fraud. The ™ symbol may be used when claiming rights in a trademark that is not federally registered.

(10) Failing to Maintain Proper Procedures to Protect Trade Secrets

Trade secrets and other valuable business information are generally not publicly registered under copyright or patent laws because the value of the information is that it is not known to a company's competitors. While trade secrets are protected rights that are recognized under law, in order to assert rights to a trade secret, a company must be able to demonstrate that it took reasonable steps to keep the information secret. Common mistakes made by businesses in protecting their trade secrets are failing to mark documents containing trade secrets information with "Confidential" legends or stamps, storing trade secret information on computer servers without restricting access to key employees only and failing to have **and follow** written procedures for employees for handling trade secret information, all of which can invalidate a company's rights to claim protection under trade secret law.

Ranked as one of the 2010 Best Law Firms in New Hampshire by U.S. News Media Group and Best Lawyers in the practice area of Intellectual Property Law, Devine Millimet's Patent, Trademark & Licensing group has the experience and expertise to help your business develop sound and reasonable solutions for protecting and managing your intellectual property. We look forward to speaking with you.

This document is prepared as a service to clients and other friends of Devine, Millimet & Branch to report on recent developments. The information contained herein is general and should not be relied upon as legal advice.

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111 Amherst Street
Manchester, NH 03101
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