Middleton Reutlinger: How to Protect Your Brand and Your Intellectual Property
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About Middleton Reutlinger

Middleton Reutlinger is a firm that offers business, litigation and intellectual property legal services for some of the country’s leading companies. Preserving roots in its historic home of Louisville, Kentucky, Middleton Reutlinger maintains a national practice while priding itself on personal working relationships with its clients. The firm’s philosophy is one of traditional service to the client with a modern approach to technology and the law.

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What is intellectual property and why does it matter?

You have undoubtedly been exposed to intellectual property in the news recently – Apple v. Samsung, perhaps? But what exactly is intellectual property? Intellectual property rights represent the balance between making ideas available to the public at large for public good and protecting the interests of a creator or inventor. The term “intellectual property” is used to describe a variety of property rights in intangible concepts, including patents, trademarks, and copyrights, each of which is discussed further below.

**Patents**

Contrary to popular belief, a patent itself does not provide any affirmative rights; rather, a patent provides its owner with a series of negative rights. For example, a patent owner has the exclusive right to prevent someone else from making, using, importing, or selling his or her patented invention for a defined period of time, essentially creating a limited monopoly. In exchange for this limited monopoly, an inventor must make the details of the patented invention available to the public, and demonstrate to the U.S. Patent Office that the invention is novel and not obvious.

The U.S. Patent Office grants three types of patents: 1) utility patents, which are available for products, processes, and methods of manufacturing; 2) design patents, which are available for ornamental appearances of products; and, 3) plant patents, which are available for invented or discovered new and distinct varieties of asexually reproducing plants.

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Trademarks

Trademarks are words, names, symbols, or combination of those that are used to distinguish the goods or services of one seller from the goods or services of another. In other words, trademarks are used so that a consumer may determine the source of the goods or services. You are likely familiar with trademarks in your everyday life – “Starbucks” for coffee or “Apple” for computers.

Registration of a trademark with the U.S. Trademark Office requires that the mark desired be available for use. The U.S. Trademark Office generally grants registration to the first commercial user of a mark; however, the U.S. Trademark Office does allow for filing an application to establish priority over other marks before it is formally adopted and in use.

Copyrights

Copyright provides protection to “original works of authorship,” including literary, dramatic, musical, artistic, and other creative works. Computer programs (i.e. source code) are also eligible for copyright protection. You are also likely familiar with copyrights in your everyday life – the novels you read, the movies you see, the songs you listen to are likely all copyrighted works.

A common law copyright in an original work of authorship is automatic when that work is “fixed,” or stored in a medium where it can be perceived, reproduced, or otherwise communicated. For example, singing an original song does not itself create copyright rights because it is not fixed; however, a recording of the performance of the original song does, because the work is “fixed” in the recording. While the common law copyright may be automatic, registration of copyright with the U.S. Copyright Office provides valuable benefits to the copyright owner, including additional remedies if the copyright is infringed.

Why should you care?

Every business has some type of intellectual property – the name and logo, the website domain, the products made or sold and the methods used in doing so, informational publications, etc.

There are numerous reasons a business should care about intellectual property. First, intellectual property is an asset of the business – an asset with value that should be maintained and protected. According to a 2014 Forbes article, intangible assets (e.g. intellectual property) are 80% of the average business’ value.
Second, understanding a business’ intellectual property and how it relates to the business’ value places business owners in a better position to leverage that value for the benefit of the business, for example through licensing. Furthermore, understanding a business’ intellectual property makes a business less likely to forfeit its intellectual property rights, for example, by failing to establish priority for a patent or trademark.

Third, without basic knowledge regarding intellectual property, a business may unknowingly and unintentionally be infringing on the intellectual property rights of another, exposing the business to potentially costly liability.

Have questions about your organization’s intellectual property?

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...understanding a business’ intellectual property makes a business less likely to forfeit its intellectual property rights, for example, by failing to establish priority for a patent or trademark.
More than a name: When and how a business should protect its brand

One word, symbol, phrase or color combination can convey an important yet intangible message to potential and current customers about a business, the consistency and quality of its products and services, the values it promotes, and how it is different from its competitors. Therefore, businesses intuitively understand there is value in a brand. However, it is not always clear exactly when and how a business should go about protecting its valuable brand assets.

What are the important brand assets of a business?

Businesses often think of their “brand” as the company or product name. While a name can be central to one’s brand, it is important not to overlook other important brand assets. In addition to a name, businesses often leverage creative symbols or logos, slogans, color schemes, product packaging and design, and even sounds and songs to spread the company message, to identify their products and services, and to distinguish themselves from competitors.

For example, we are all familiar with the name “McDonald’s” as it relates to burgers and fries, but may actually be more accustomed to seeing the company’s “Golden Arches” logo on signs along the highway. Similarly, tech companies such as Apple, Facebook, Twitter and Google are household names, but we almost certainly encounter and interact with their well-recognized app icons as much as, if not more than, those company names. Moreover, while “Maker’s Mark” is the name of an iconic brand of Kentucky bourbon, and its bottles stand apart from others on the shelf because of the distinctive red wax-dipped bottles.

A brand is often a culmination of its component parts. Therefore, it is important not to neglect any of the component parts when building, and ultimately protecting, one’s brand.

When should a business begin to protect its brand?

Before adopting a name, logo, slogan or color scheme, for example, a business should first be comfortable that the asset is available for use. After all, businesses are loath to invest time and resources into a brand asset only to find out later that it must change course because use of the asset encroaches upon another’s rights.

A simple internet search can be useful in uncovering readily identifiable risks, but it is not generally sufficient for fully vetting a new brand asset. In
addition to search engine results, a business will want to consider whether a new brand asset can be registered with the U.S. Trademark Office, can be incorporated into a domain name, and can be used across a variety of social media platforms without conflict. A trademark attorney can be an invaluable resource when clearing a trademark for use.

In addition to searching the availability of a new brand asset, businesses can take important steps to protect the asset even before it is used publicly. In the U.S., trademark rights are generally granted to the first person to use a trademark in commerce. However, the U.S. Trademark Office allows one to file a trademark application and establish a date of priority for a given brand asset even before it is formally adopted. So, taking the appropriate administrative steps early in the brand development process can be critical for protecting, and ultimately creating value, in a new brand asset.

How can a business protect its brand?

Once one has acquired a brand asset, the burden of protecting it rests with the brand owner. In fact, failure to adequately protect one’s brand can lead to the devaluation of the brand or even a loss of rights. Therefore, it is important to establish a proactive program for protecting, policing and enforcing one’s brand assets.

The simplest step a business can take to protect a brand asset is to use it and use it consistently. If a trademark goes unused, its rights can be abandoned. What is more, if a trademark is not used consistently, then its power to distinguish one from others can be diminished.
Additionally, and as alluded to previously, one important step for protecting a brand asset is to register it with the appropriate governmental authorities. For example, the U.S. Trademark Office provides a process for registering one’s brand assets. The resulting registration confers important legal benefits, and can serve as both a sword and a shield for protection when needed. Additionally, businesses can engage customs and border patrol agencies to help identify and prevent counterfeit and grey market goods from entering the market.

Furthermore, it is difficult to stop others from violating your rights if you are unaware of their conduct. For that reason, businesses can and should establish and implement a brand monitoring program to review for whether others are using their brand assets without authorization or are attempting to trade off of the goodwill associated with their brand.

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‘I have built an app and have a business plan – what now?’

As Louisville’s strong entrepreneurial community continues to grow, this is a question more and more people will likely begin to face. Whether you’re participating in a startup accelerator program or simply working on a side-hustle while still employed in your full-time job, if you have developed an app or are starting any other business venture, you need to pay attention to some important issues that, if not addressed properly, could unravel all your hard work before your venture even gets off the ground. Remember that failing to plan often equates to planning to fail.

Entity formation, founders’ shares and tax considerations

One of the most common issues for entrepreneurs starting out is the question of when to establish a business entity and what type of entity best suits the needs of the business. While the procedural steps to set up a legal entity and obtain the appropriate tax identification numbers, etc., can be an annoyance, these are relatively straightforward tasks. The more important issues relate to other considerations, particularly with respect to issues of tax treatment, vesting of shares and governance.

Limited liability companies are generally taxed as partnerships, meaning that the company’s profits and losses are “passed through” directly to the interest holders, and the company itself is not subject to any taxation. Profits of corporations (more specifically, “C”-corporations), though, are subject to both an entity-level tax on profits as well as another tax at the shareholder level when dividends are paid.
Simple enough distinction, right?  
Well, that’s not quite the full picture.

In addition to the C-corporation, there is the S-corporation, which is also considered a pass-through entity, but comes with some specific requirements that, if breached, will negate its status. To add another wrinkle, LLCs can actually elect to be taxed as S-corporations, which could make sense, depending on, among other considerations, whether the interest holder(s) are also employees of the company (addressing the “self-employment” tax issue that might otherwise be imposed). In any event, the issues raised here only begin to scratch the surface of the decisions that must be made when initially structuring your business entity.

An important consideration among founders will be their respective percentage splits, number of shares issued to each, and the vesting schedule for those shares. By imposing a vesting requirement on shares issued among the founders, those individuals who contribute to the venture by remaining with it for the duration will be rewarded; and any departing founders won’t obtain an inequitable stake in the future success of the company.

Another decision implicated by share issuances is that of any individual shareholder to make an 83(b) tax election, which can help save substantially on a founder’s tax liability (depending on when the shares are issued and at what value). Again, the details of any particular situation will vary, but without careful consideration of such issues, you could be creating a disadvantageous situation for yourself without even realizing it.

Further, a commonly noted reason for establishing an entity is the “liability protection” that results from separating personal assets from those of the business. However, without understanding and properly complying with the formal governance requirements, that liability shield could potentially be pierced in court if you’re ever sued.

IP protection and considerations

In most technology and software startups, especially in the world of apps, the intellectual property IS the business. It goes without saying that protecting the business’s brand through trademark registration, and imposing negative rights on others against using or marketing your technology via patent registration, are of vital importance. Questions of timing, availability and use all impact the ability to protect your IP. If you want to learn more about intellectual property and how to protect it, see these other articles:

- More than a name: When and how a business should protect its brand
- What is intellectual property and why does it matter?
Funding your business

Sources for funding your business with the capital it needs to grow are varied and expanding: bootstrapping, conventional or SBA-backed loans, equity investors, crowdfunding, or any combination thereof. Understanding the pros and cons of each of these options will further your chance of success by developing a “capital stack” best suited to the needs of the venture.

While raising equity via angel investors or venture capital firms is often a major goal of many startups, it is not always most beneficial to the company or the founders. On that note, taking equity from the investor who gives your company the highest valuation can be a short-sighted approach, ignoring the multitude of ways VCs often take preferred and cumulative returns, as well as all of the intangible benefits of mentorship and guidance another potential investor could provide. Further, knowing whether you will eventually be seeking equity investment can also impact the entity selection question discussed earlier.

Beyond these more practical considerations, it is also important to remember that, even under the looser regulations promulgated under the JOBS Act, the disclosures required by state and federal securities laws (including any exemptions thereto) must be followed closely to avoid potential civil and even criminal liability.

Employee, supplier and customer agreements

Another important consideration will be whom to bring onboard to fill out your team. Should you hire employees or bring on independent contractors to fill the role? With that, you will need to ensure your engagement with any independent contractor is clearly defined so as to not be construed as an employer-employee relationship that could subject the business to various additional requirements. Thought must also be given to any nondisclosure, noncompetition or nonsolicitation agreements that may be needed to protect the business’s competitive advantage and customer lists.

Further, you will need standard terms and conditions to govern the use of your product which will need to be tailored to the specifics of the business. Additionally, you will likely need assistance in reviewing the terms of any agreements entered into with suppliers and vendors.

Be proactive in seeking legal advice

Be proactive about obtaining business and legal counsel on the above and other matters. The worst time to be seeking legal help is when confronted with a problem – at that point, it could be too late to resolve a disastrous situation that could have been avoided with proper planning. To quote
Ben Franklin’s famous maxim: “An ounce of preparation is worth a pound of cure.” If you’re worried about the cost, remember that it will be much less expensive to pay for competent legal advice upfront to structure your business correctly than it will be to unwind poor planning, or worse, deal with costly and time-consuming litigation.

In seeking advice, though, remember these two caveats:

First, this is not a “set it and forget it” task. Don’t just delegate these decisions to a third party – be involved and work with advisors to explain your business objectives.

Second, don’t hire just any lawyer. Not all attorneys have experience with startups and the unique questions they face. Make sure any advisor you use has both real experience with the types of considerations discussed in this article and a true understanding of corporate law, business concepts, capital markets and, most importantly, your objectives as an entrepreneur.

You may have already considered some of these things, but even if this conversation is all news to you, don’t be daunted. View these decisions and the process of making them as an opportunity to enhance the likelihood of success for your business. If you’re serious about launching your venture, take the steps necessary to ensure its success – or, at the very least, not condemn it to failure by not planning properly.
So you’ve decided to apply for a patent — now what?

One of the first steps of starting a business is protecting your intellectual property. This is especially true when a cornerstone of your business is a technology you have created or improved, which may be protectable with a patent. While you can apply for a patent yourself as a pro se applicant, it is worth remembering the old saying (often attributed to Abraham Lincoln) that “He who represents himself has a fool for a client.” But you should be careful when selecting someone to help you with the patent application process, as not all patent service providers are created equal.

Kinds of patent services providers

Aside from pro se applicants, patent attorneys and agents are the only individuals permitted to practice in front of the United States Patent and Trademark Office. These are people with technical backgrounds—think science, engineering, physics, math—who have also passed the Patent Bar, and (presumably) have experience navigating the numerous regulatory hurdles involved with obtaining a patent.

The difference between patent attorneys and agents is that patent attorneys have also graduated from law school and are licensed to practice law in at least one state. Patent practitioners can be found in a variety of settings. Some law firms often referred to as “patent boutiques” may employ only patent practitioners. Other “general practice” law firms may employ patent practitioners alongside other types of lawyers.

Another option is a so-called “invention promotion firm.” These firms offer one-stop shopping for both obtaining patent protection and marketing...
and promoting the underlying inventions, which may appeal to budget-conscious startups or solo inventors. But before you sign on the dotted line, be sure to heed the Federal Trade Commission’s warning that some of these types of firms, not all of them, “promise to evaluate, develop, patent, and market inventions… and then do little or nothing for their fees.” For example, the FTC recently filed a complaint in Florida against an invention promotion firm called World Patent Marketing Inc., which the FTC alleges is “an invention-promotion scam that has bilked thousands of consumers out of millions of dollars” (World Patent Marketing’s answer to the complaint is due by May 10, 2017).

The problem is so widespread that Congress included provisions in the American Inventor’s Protection Act (1999) that require invention promotion firms to disclose, among other things, how many of its customers have licensed their inventions as a result of the promotor’s services, and how many of those customers received a net financial profit.

Before you choose a patent service provider

Before selecting a patent service provider, you should consider various factors. Perhaps most importantly, what type of patent should you pursue? A “utility” patent offers the broadest (and consequently, most difficult and expensive to obtain) protection over a new and useful process, machine, manufacture, or composition of matter. You can spot utility patents because they end with “claims” that verbally describe the invention.

By contrast, a design patent only protects the ornamental features of a product—these include mostly pictures. Plant patents, which protect new asexually reproduced plants, are less common.
Another important factor to consider is cost: It has been said that “It is unwise to pay too much, but it is worse to pay too little.” Utility patent applications typically cost several thousand dollars to prepare and file. If a patent service provider offers to prepare your “patent application” for a couple thousand dollars, you should make sure they actually will prepare and file a utility application, rather than pull a bait-and-switch by filing a less-expensive design patent application instead.

Additionally, while saving money is often important to new businesses, you generally get what you pay for. Low-budget patent applications, which often save money by forfeiting detail, are often more difficult to navigate through the Patent Office, and tend to be more vulnerable to attack if asserted against an infringer down the road.

Do your research

One last factor to consider are qualifications and reputation of the patent service provider. Obviously any patent service provider you work with should include at least one patent attorney/agent, preferably someone you interact with directly. You also should make sure this patent practitioner has sufficient experience and technical expertise to fully understand your invention. It is entirely reasonable to ask a patent practitioner how many applications they have filed, as well as to ask for samples of issued patents they drafted (which after all are public documents).

Many practitioners are perfectly capable of operating slightly outside of their technology comfort zones for relatively intuitive inventions, but you might not want to leave your complex chemical composition in the hands of someone with mechanical engineering background.

As far as reputation, the Better Business Bureau is a good place to start, as well as the consumer protection agency and the Attorney General in your state. Also, don’t hesitate to ask for references from previous clients. As mentioned above, invention promotion firms are required to disclose how many of their clients made money from licensing promoted inventions. While these requirements don’t apply to law firms and solo practitioners—which generally stick to helping clients obtain patents for inventions and leave the product promoting to marketing experts—you can still ask lawyers for client references.

There are numerous highly-qualified and reputable patent practitioners that can help you through the patent application process. So there is no reason not to be choosy.
Another company is using my intellectual property. Do I have recourse?

A company’s intellectual property is one of its most important and valuable assets. Generally speaking, there are three types of intellectual property: trademarks, copyrights, and patents. Imagine the frustration of learning that someone else is using your intellectual property, after you were the one that invested significant time and money to develop those materials. What can you do to stop folks from taking advantage of all of your hard work and creative efforts?

In most cases, the first step is to contact the offending party to advise them of your prior rights and see if they will voluntarily discontinue using your intellectual property. Oftentimes, these folks are unaware of your rights and will agree to phase out use in a relatively short period of time. If that doesn’t work, then you should consider legal and equitable remedies provided for the type of intellectual property at issue.

Trademarks

A trademark can be any word, name, symbol, or device (or combination thereof) used to identify and distinguish one’s own goods from those of another. The Lanham Act protects trademarks from infringement regardless of whether the trademark is registered with the United States Patent & Trademark Office (USPTO). However, if you have registered your trademark with the USPTO, the Lanham Act provides a “constructive notice” provision whereby so long as the registrant uses the ® designation in connection with the mark, the registrant is entitled to profits and damages from the infringing party without having to prove that the infringer had actual notice of the registration. This can save registrants a lot of money if and when the matter should ever go to court.

Generally speaking, there are three types of intellectual property: trademarks, copyrights, and patents.
Trademark rights last as long as the trademark is in use. Therefore, unlike patents or copyrights, there is no expiration date so long as you continue using the mark.

Generally speaking, anyone who uses a trademark that is likely to cause confusion with a senior user’s trademark, or uses a trademark that is likely to cause consumers to mistakenly believe that the offending party’s goods or services are sponsored or approved by, or are associated with, the senior user, is liable for trademark infringement. The Lanham Act provides for injunctive relief (which would prevent the offending party from further selling any offending goods or services), as well as the recovery of the offending party’s profits, damages sustained by the senior trademark owner, and the costs of the action.

Most states also have statutory or common law protections (or both) against trademark infringement, which usually mimic and supplement the federal rights afforded by the Lanham Act.

If your trademark is being used by another within the context of a domain name, the Internet Corporation for Assigned Names and Numbers (ICANN) recognizes that trademark rights are protected within the context of domain name registrations. To that end, ICANN has established the Uniform Domain Name Dispute Resolution Policy (UDRP), which provides an expedited and cost-efficient mechanism for requiring transfer of domain name registrations to the rightful trademark owner.

Copyrights

The Copyright Act protects the tangible expression of, among other things, literary works, musical works, pictorial, graphic and sculptural works, motion pictures, and sound recordings from infringement. Copyright rights can last a long time. For instance, for works created on or after January 1, 1978, the duration of the copyright is the life of the author plus 70 years. For works “made for hire,” the duration is 95 years from publication or 120 years from creation, whichever expires first.

Copyrights are unique in that the “copyright right” automatically attaches to the person who created (i.e., “authored”) the work. Therefore, unless the work is created by an actual employee of your company (which would then, by law, be a work “made for hire”), you would need to obtain a written assignment of the copyright rights from the author of the work.

This nuance of copyright law can become problematic if and when you should ever have to pursue a third party who is using your work. For example, what if a third party had lifted parts of your website content for use on their website? You, of course, would want to make them remove your content from their website. However, if you contracted with someone to create your company’s website, and had not obtained an assignment of
the copyright rights from that person, then you would not be the owner of
the copyright rights and would not have standing to assert the copyright
claim. Therefore, always be sure to obtain an assignment of any creative
works when you engage folks who are not your employees to develop
those materials.

Assuming you are the copyright owner, the copyrighted works must be
registered with the US Copyright Office before you can file a civil action in
federal court and obtain monetary damages. If the work is registered with
the US Copyright Office, you may be eligible for statutory damages in the
range of $750 to $30,000 for each work infringed, which may be increased
to $150,000 per work if the infringement is willful. Therefore, statutory
damages can be a potent remedy, especially if actual damages may be
hard to prove. The Copyright Act also provides for injunctive relief and
seizure of the offending works.

Patents

The America Invents Act (AIA) protects, generally speaking, inventions that are novel, useful, and nonobvious. A patent must have been issued by the US Patent Office before the owner of the patent (or in some cases, an exclusive licensee) has a right to file a civil action in federal court arising out of any direct or indirect infringement.

Unlike trademarks and copyrights, patents have a limited shelf-life since patent owners are essentially granted a monopoly for that technology during the life of the patent. For example, for utility patents issued after June 8, 1995, all rights in the patent will expire 20 years following the earliest filing date of the patent application, assuming the annuity payments are made at the requisite intervals.

To constitute infringement, the accused product has to contain all of the elements and limitations of at least one of the claims in the issued patent. If infringement is proven, the AIA provides for monetary damages of no less than a reasonable royalty and the patent owner’s lost profits, as well as injunctive relief.
Conclusion

Make sure you have buttoned up your own rights in your intellectual property before you seek to enforce your legal and equitable remedies. However, the law provides some powerful tools to protect your intellectual property. Therefore, speak with your legal representative if and when you should discover any potentially offending uses so that you can consider your options and determine the best way to address those issues.

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