

Beyond flattery?

How to keep tabs on corporate intellectual property **Interviewed by Jerry Roche**

imitation, as the old saying goes, can be the sincerest form of flattery. But it also might mean liability for violating another's intellectual property rights.

Intellectual property (IP) rights are analogous to other types of personal property rights. Just as our laws protect you from having your car stolen, they also protect you from having your name, the embodiment of your ideas and other original creations stolen.

"If a company infringes on another's intellectual property, the situation has gone beyond flattery," notes Michael Chesal, a member of Kluger, Peretz, Kaplan & Berlin P.L. and co-chair of the firm's Intellectual Property Department. In the trademark context, for example, Chesal notes that "companies are constantly adopting new product names and advertising themes. If management doesn't sensitize its employees to the potential dangers of IP infringement, the company could be subjected to serious liability."

Smart Business spoke to Chesal about how businesses can both protect their IP, on the one hand, and minimize the chances of being liable for violating another's IP rights, on the other.

In what legal areas does intellectual property apply?

Intellectual property rights generally encompass the areas of trademark, copyright, patent and trade secrets.

The most common of these rights involves trademarks, which are words or designs — or combination of the two — used to identify a product or service of one company and distinguish them from the products or services of others. The law protects trademark owners from having someone else use a mark that is confusingly similar to their own.

When companies select names to identify their goods or services, the objective should be to adopt a name that is highly distinctive. The more distinctive a mark, the more easily a company can claim exclusive rights in it, and the less likely it is that use of the mark will infringe on another's rights.



Michael Chesal
Member, IP Department co-chair
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Copyright law protects original works of authorship, like writings, performances, art, music and poetry. It is important to know that copyright law is generally designed to protect authors. This is particularly significant for companies that hire independent contractors to develop things such as computer software or advertising; unless there is a specific agreement between the company and independent contractor that provides otherwise, the independent contractor would be deemed the owner of the work product, in which case the company's rights may be limited.

Patent law generally protects inventions that are "new" and "nonobvious," and can even include certain methods of doing business. In order to obtain patent protection, one must fully disclose to the government how an invention works. In exchange for this disclosure, the government may grant to the inventor a monopoly in the invention. Often, patent infringement occurs when a company fails to investigate via patent search whether a product or business method of another is covered by a patent. And while patent searching can become extremely costly, that cost often pales in comparison to the potential liability one may face for infringement.

Finally, trade secret law protects a company's valuable information that it maintains in secret, such as formulas, customer lists, business methods, and processes. While there is obviously some overlap between what may be protected as "trade secret" and what may be protected under patent law, it is important to note that a patent protects an invention for only a limited period of time (typically 20 years), after which the invention falls into the public domain. In contrast, a trade secret may be protectable for as long as the information remains secret. Thus, a company like Coca-Cola, whose secret formula for Coke may have been patentable at one time, has been able to maintain trade secret protection for its formula simply by keeping the recipe a secret.

How do you protect your intellectual property?

For protecting trademarks and copyrights, the best thing a company can do is register them with the federal government — the U.S. Patent and Trademark Office or the U.S. Copyright Office.

If a company wishes to secure patent protection, then the only option a company has is to apply for a patent, which typically must be done within one year after the invention is actually used or becomes public.

Protecting trade secrets simply requires that the company exercise reasonable efforts to maintain secrecy.

How do you avoid inadvertently infringing on another company's intellectual rights?

In order to avoid liability for infringing on another company's IP rights, companies should be vigilant in educating their employees about the nature of these rights. If employees are not sensitized about the legalities of intellectual property use, and the consequences of their actions, a company's profits may all be subject to disgorgement.

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