

Avoiding Three Costly Mistakes: Common Trademark And Copyright Pitfalls That Plague Businesses

Written By **Angela P. Doughty, CIPP/US** (apd@wardandsmith.com)

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Intellectual property law impacts every business—whether owners of the business know it or not. For example, the moment a name is used in relation to your business's goods or services, certain trademark rights are created. Similarly, as soon as your website or other promotional materials are created, certain copyright rights arise. By arising automatically through everyday business activities, these basic intellectual property rights can represent some of the most affordable, but nonetheless valuable, assets in your business's portfolio.

Unfortunately, these same everyday business activities can also create substantial legal headaches for you if the creation and use of your intellectual property is not handled properly. For instance, your investment in a new company or product brand name could be wasted if your chosen name is not protectable as a trademark. Even more frightening, your new name could pose infringement risks and liabilities if not properly researched prior to implementation and use. Moreover, copyright rights in your website and promotional material created on behalf of your business may not be owned by you, despite the fact that your business paid for their creation, thus restricting and limiting your use of such materials in the future. Understanding some intellectual property basics, and how to avoid some common pitfalls, can have a positive impact on your business's bottom line.

Trademarks—What's in a Name?

The good thing about trademarks is that "common law" trademark rights can be created by simply using a name or logo as a trademark—i.e., using the mark to identify your business as the source of particular goods and/or services. It is the *use* of a mark, not its registration or some other legal process, which creates these "common law" rights. Broader protection may be available through other means, and is usually advisable, but certain trademark protections arise by simply using a mark.

The bad thing about trademarks is that this ease of creating trademark rights means that almost all businesses own trademarks, making it very easy to inadvertently violate or "infringe" on the trademark rights of others. Such trademark infringement can be very costly, and even land your business in court.

Alternatively, your business may invest significant time and money in a name that you perceive to be a trademark, only to later discover that the name is not protectable as a trademark. Investing in an unprotectable name can be just as costly as infringing the trademark rights of a third party.

Therefore, it is important to carefully consider, as early as possible, what trademark to use—both to ensure your investment in protectable rights and to avoid infringing upon the rights of others.

Avoiding Trademark Infringement

All too often, businesses fail to consider what others in their industry (or related industries) are using for trademarks. Instead, they quickly come up with a name they like and start moving forward. Only later, after investing significant resources in a name for months or even years (including advertising, labeling, website creation, etc.) are they informed that they are infringing a third party's trademark and are forced to abandon their own trademark.

Your business can infringe the trademark of another by adopting the same or a similar name and using it in relation to related goods or services. What constitutes a "similar" name or "related" goods or services is often subject to debate, but even "winning" the debate can cost your business significant money. For example, those claiming infringement often send cease and desist letters demanding that the allegedly infringing business stop using the mark or face a lawsuit. Evaluating whether the claim is legitimate or, worse, actually getting pulled into a lawsuit can be expensive, time-consuming, and bad for your business's image.

To avoid this potential trademark pitfall, it is important to take a look at the relevant marketplace and, before settling on a name, see if it is already being used. Not only can you avoid a lawsuit, but you can also ensure that your investment in your business's brand pays dividends down the road.

How Do You Know if Your Trademark is Protectable?

Alternatively, your business can get into trouble by investing in an unprotectable trademark. A protectable trademark is a distinctive name that serves as a "source identifier" of certain goods or services. We all know, for example, that Apple[®] makes phones and computers and that Target[®] is a large retailer of consumer goods. We know this, not because their marks say so (iPhones[®] certainly don't grow on APPLE trees), but because of how they are used in the marketplace. Apple[®] and Target[®] have spent millions using their marks and building their brands so that when we hear their names, we associate Apple[®] with innovative technology and Target[®] with quality retail consumer goods.

It can be tempting for a new business, with or without millions to spend on advertising, to use a more descriptive name to make up for an early absence of brand recognition in the marketplace—for example, naming your restaurant GYROZ because you sell gyros or your new travel website BED & BREAKFAST REGISTRY because you have created an online registry of bed and breakfast destinations. However, if these descriptive names were protectable as trademarks, then other sellers of gyros or compilers of bed and breakfast registries could not accurately communicate to consumers what they do without infringing a trademark. Obviously, this is not good public policy, and trademark law does not allow it.

Unfortunately, a new business owner may not consider all the issues related to whether a mark is protectable and end up pumping significant resources into a descriptive or otherwise unprotectable name. In that case, the business and its owners may learn the hard way that the valuable brand they thought they were developing is worth very little. Consequently, when considering a new business or product name, the less descriptive the name, the better. You may have to invest more in advertising initially to get the word out, but the result will be a strong and valuable brand down the road.

Copyright Law—Is Your Website Really Yours?

A business today is nothing without a website. It has become the first place consumers go to check out a business. It's no wonder, then, that businesses spend millions every year to develop, maintain, and optimize their online presence. For example, businesses often hire website developers to build and maintain their online presence. Using website developers can be a very good thing, as they frequently produce a high quality product that can enhance a business's online appeal. But it is important to ensure that you have the proper written agreements in place, or else your business may be left with no ownership rights in its copyrightable works—even its own website.

Copyright law protects the expression of ideas—whether they are the words of a poet, the stroke of a painter's brush, the characters of a novel, or the content of a website. Generally, the owner of a work and its corresponding copyrights is the person who created the work—the poet, the painter, the author, or the website designer—not the business that requested or paid for the work. The exception to this rule is when works are created by employees within the scope of their job duties. In such a case, the employer, not the employee who created the work, owns the copyright. Regardless, ownership of the copyrights in works such as websites is important because only the owner of the copyrights is permitted to reproduce, distribute, modify, and display the work.

Consequently, if your business hires a third party contractor (as opposed to using one or more of its employees) to create a copyrightable work and does not have the proper written agreements in place, then the third party contractor (rather than your business) will be the owner of any copyright rights associated with the work—including websites. This is true even though your business specifically hired the designer to create the website and paid for the website design.

The long-term implications of your business not owning the copyright in its own website could be your inability to modify the web design, re-post the design on another online forum such as a social media site, or create promotional marketing material inspired by the design of the website—all of which may be critical to your future marketing plans.

To avoid these issues, it is recommended, before any copyrightable work is created on behalf of your business (including any written materials, software code, artistic works, etc.), that a written agreement signed by both parties be in place specifically addressing the ownership of the authored work and the related copyrights. This agreement should provide that once the website is built (or the jingle is written, proprietary software created, etc.), the copyrights will be owned by your business and it can copy, share, reproduce, or modify them without the consent of the original author.

Conclusion

Almost every business, large or small, will be impacted in one way or another by intellectual property law. It is up to you to decide whether these various intellectual property rights will be a benefit or a detriment to your business. With a little know-how and proper planning in place, your business can leverage its intellectual property and capitalize on the value it brings.

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