

Intellectual Property: A Two-Edged Sword

By Cheryl L. Davis

No matter the nature of your Company's business, the odds are that as in-house counsel, you will have to address intellectual property issues with the Company's employees at some point. These issues will probably arise in one of two contexts (if not both): (i) advising employees on how to protect the Company's intellectual property, and (ii) cautioning them against becoming infringers themselves. The same laws that protect the Company's intellectual property can be turned on the Company just as easily if it infringes upon the intellectual property rights of others.

I. Protecting the Company's Intellectual Property

A. Legal Precautions

Before instructing employees on the business precautions they need to take to protect the Company's intellectual property, you should first make sure the necessary legal precautions have been taken. For example, where the Company has valuable copyrights, you want to make sure that they have been registered with the U.S. Copyright Office. While copyright arises upon creation, registration is necessary in order to be able to bring a suit in the event of infringement. In addition, if the copyright has been registered *before* the infringement takes place, statutory damages and attorneys' fees then become available.¹ Even if the Company doesn't end up actually bringing suit, the mere availability of increased damages may give you additional leverage when it comes to settlement negotiations.

You also want to make sure that there is adequate copyright notice on the Company's products (and/or their packaging), as well as on the Company's website and other materials entitled to copyright protection. By providing such notice, you can rebut the "innocent infringement" defense "that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright."² The copyright law expressly provides that

[i]f a notice of copyright in the form and position specified by this section appears on the published copy or copies to which a defendant in a copyright infringement suit had access, then no weight shall be given to such a defendant's interposition of a defense based on innocent infringement in mitigation of actual or statutory damages...³

As you can see, copyright notice still serves a practical purpose.

While copyright protection lasts for the life of the artist plus 70 years (or, in the case of a work made for hire, for 95 years from the year of its first publication or 120 years from the year of its creation),⁴ patents only last for twenty years from the date of application.⁵ While an initial trademark registration lasts for ten years, the registration can continue to be renewed for additional ten-year terms.⁶

With respect to protecting the Company's trademarks and patents, you want to make sure that (i) the necessary filings are being made to renew the registration (where trademarks are concerned) and (ii) again, that there is clear notice of the registrations. Designers and marketing personnel may occasionally protest that the notice will negatively affect the look of the logo or their design concept. But, if notice is absent, the Company must then prove that the infringer had actual notice of the registration, and therefore, of the infringement. The Company will then run the risk of losing at least some (if not all) of its potential damages—which, since they can potentially be trebled by the court, can end up being quite substantial.⁷ You therefore should make sure that employees include the appropriate notices on the packaging and marketing materials for the Company's goods and services.

B. Educating Employees About Intellectual Property

Having ensured that the legal framework is in place, you should make sure that the employees are aware of the value of your Company's intellectual property, and that they know how (and how not) to treat it. While some basic information should be included in the Company's standard employee manual, it may also be helpful to have periodic seminars reminding employees about the Company's intellectual property practices and policies and to have regular meetings with any individual employees who deal with intellectual property issues on a regular basis.

1. Employee Work = Work for Hire

As a basic matter, the Company's employee manual should state that the employee's work will be deemed work-for-hire owned by the Company; that way, the employee will not mistakenly believe that s/he can transfer, license, or otherwise dispose of the property. Some departing employees may want to continue using projects they worked on while at the Company (and which belong to the Company) as examples of their own work product,

to market their services and obtain future employment. The Company should have a clear policy stating whether such use is permissible.

2. Navigating Social Media

Employees should take care when using social media when referring to or circulating the Company's intellectual property. Certain sites and services, such as Twitpic, provide in their terms and conditions that "by submitting Content to Twitpic, you hereby grant Twitpic a worldwide, non-exclusive, royalty-free, sublicenseable and transferable license to use, reproduce, distribute, prepare derivative works of, display, and perform the Content in connection with the Service and Twitpic's (and its successors' and affiliates') business."⁸ As you can see, by posting pictures containing the Company's intellectual property on Twitpic and similar websites, your employees might end up inadvertently granting licenses to the Company's intellectual property.

Some companies might issue a blanket prohibition against employees using social media for Company purposes. Your business, however, may be one that thrives on its social media presence and uses it to cultivate and maintain a passionate customer base. In that situation, it is important for the Company to issue clear guidelines for its employees—and its consumers—on how the Company's intellectual property should be used. For example, the Company's website should specify exactly how its trademarks should be used when reference is made to its goods and services, as well as clearly stating that the Company's trademarks should not be incorporated into the business name or trademark of any other entity without the Company's permission.

3. Taking Care When Protecting Intellectual Property

In today's world where seemingly minor disputes can go viral with the swipe of an iPhone®, it is ever more important to pick your intellectual property battles wisely. As a basic matter, employees should not issue (or threaten to issue) cease and desist letters without clearing them with counsel first. First of all, you face the question of whether the third-party's use is a "fair use" of the Company's intellectual property. The copyright law explicitly provides that certain types of use do not constitute copyright infringement:

The fair use of a copyrighted work...for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case

is a fair use the factors to be considered shall include—

- (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.⁹

The principle of fair use also applies to trademarks. The Lanham Act, like the Copyright Act, permits certain uses of a registered trademark. For example, it is a defense to a claim of trademark infringement that

the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privacy with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.¹⁰

In addition, the Company's trademarks may be used in connection with comparative advertising, as long as the third-party is not appropriating the Company's goodwill by misleading consumers.¹¹ In short, as much as the Company might wish it, there are some uses of its intellectual property the Company may not legally be able to prevent.

There are also some uses that the Company may not wish to prevent. If, as stated previously, the Company has a passionate consumer base, it may not wish to dissuade them from making (appropriate) use of the Company's trademarks and other intellectual property. Where such use is inappropriate, however, employees should be instructed to reach out to the (perhaps overly) passionate consumer, and ask him/her to follow the Company's rules (which should be clearly posted on the Company's website). Don't let your employees' desire to please the Company's customers lead the Company into an unwitting waiver of an infringement claim.

4. Departing Employees

Some in-house counsel may think "my Company doesn't have any intellectual property. Our business is manufacturing/real estate/sales, etc." But, at the very

least, your Company has its own trademark, or trade name. Your Company may also have trade secrets, or other confidential information that it wants to protect from its competitors (and its consumers). Your employees should be aware of the need to protect the Company's information in its various forms. For example, in addition to notifying employees in the employee manual about the need to protect intellectual property, you will want to remind them of these procedures when they leave the Company's employ.

Many employees access Company files from their personal computers or print out hard copies of material for review at home. You don't want to risk these employees discarding the Company's intellectual property in a careless manner (such as by throwing out or recycling confidential documents, or by donating a used computer) just because they innocently forget the need for caution. A reminder to securely dispose of any intellectual property in his or her possession should be a part of any employee's exit interview.

II. Avoiding Infringing Upon the Intellectual Property of Others

It is quite likely that your Company uses third-party intellectual property in its ordinary course of doing business; most businesses license computer software, to name only one example. Your employees need to beware of engaging in even innocent infringement of such non-Company intellectual property.

With respect to software licenses, it is unfortunately easier than you might expect to end up being an infringer. Companies can lose track of how many licenses they've actually purchased. If the Company has a summer intern program, an intern may install a copy of his or her educational software on the Company's server, and if such educational software is used in a commercial context, the Company might end up violating the terms of use of the software. The best way to guard against such inadvertent infringement is to have periodic software licensing audits.

Virtually all companies have a website, and most of these websites have graphics or other images that may be subject to copyright protection. More people than you might think assume that "if it's on the internet that means it's in the public domain, right?" You want to nip these misapprehensions in the bud, before they sprout into an infringement. You will want to make sure that your marketing department (as well as your IT department and anyone else who has responsibility for your corporate website and image) gets the necessary permissions and licenses for any artwork or images that are not internally generated.

It is even possible that your employees might infringe upon intellectual property that your Company generated and then transferred to a third party. Where the transfer of intellectual property is part of your ordinary (or at least frequent) course of business (from architect to owner, for example), make sure that your employees know what they may and may not continue to use. Occasional lectures or other reminders may do the trick. Where such transfers of intellectual property are not common at your Company, you should bring them to the relevant employees' attention.

III. Conclusion

With proper guidance, the Company's employees can and should be your allies in protecting the Company's intellectual property against infringement and preventing the Company from becoming an infringer itself. The most important thing is to come up with a procedure for advising the employees about the Company's rights, and continue to keep them informed of their obligations in protecting them.

Endnotes

1. 17 U.S.C. §504.
2. 17 U.S.C. §401.
3. 17 U.S.C. §401(d). According to 17 U.S.C. §401(b), the form of notice shall include the symbol ©, the word "Copyright," or the abbreviation "Copr.," and the year of first publication of the work.
4. 17 U.S.C. §302.
5. 35 U.S.C. §154.
6. 15 U.S.C. §1059.
7. 15 U.S.C. §1111; 35 U.S.C. §287.
8. Twitpic Terms & Conditions, <http://www.twitpic.com/terms.do>.
9. 17 U.S.C. §107.
10. 15 U.S.C. §1115(b)(4).
11. See, e.g., *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp.2d 402, 413 (S.D.N.Y. 2006) ("Courts permit defendants to use a trademarked name to convey to consumers what it is their product seeks to copy; in such cases, defendants are 'not trying to get the good will of the name, but the good will of the goods.'") (citation omitted).

Cheryl L. Davis is a litigator who concentrates in intellectual property matters (particularly copyright and trademark), employment, and real estate/construction related matters. She is a member of the firm of Menaker & Herrmann LLP, and one of the authors of the firm's book "Law for Architects: What You Need to Know." She would like to thank Erika J. Krystian and Jennie L. Sacks for their assistance in preparing this article.

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