Something can qualify as a trade secret even if it is not the Coca-Cola formula, the most famous trade secret of all time. California and federal law recognize a company’s trade secrets may be the lifeblood of a business even if the business generates only modest sales. California courts have protected trade secrets for more than a half century, and the nationwide importance of trade secrets has elevated to the point where Congress recently passed a federal version of the Uniform Trade Secrets Act.

Contrary to popular belief, the bar for establishing a trade secret is not very high. Information will generally be considered a trade secret if the information gives a company a competitive advantage and is not generally known to competitors. While secret formulas, recipes and proprietary techniques are often what come to mind when people think about trade secrets, trade secrets also include customer lists, knowledge of customer preferences, pricing and virtually all information businesses keep confidential from competitors to maintain a competitive advantage.

Trade secret litigation often arises when a business hires an employee from a competitor. Departing employees sometimes solicit customers with whom they used to do business. Depending upon how former employees approach former customers, the contact may be permissible or a violation of trade secret laws.

The consequences for stealing trade secrets are considerable. The person or company stealing trade secrets can be subject to an injunction and forced to disgorge profits. The law also allows for the trebling of damages and the collection of attorneys’ fees in certain circumstances.

When a company hires a competitor’s employees, both companies must be careful about protecting its interests and prevailing in litigation, should a lawsuit be filed. Whether a company is planning to hire a key employee from a competitor or has been victimized by a departing employee who stole customers or proprietary information, it is essential the company hire experienced trade secret counsel early to collect evidence or document the absence of trade secrets theft.

Trade secrets cases are among the most sophisticated business litigation matters requiring trial attorneys experienced in handling trade secrets cases to verdict. If you believe you have been victimized by departing employees who have taken trade secret information, or you plan to hire a competitor’s employees, call Klein & Wilson to understand your rights and liabilities.
In today’s economy, the importance of preserving intellectual property rights cannot be understated. The loss of a patent, copyright or trademark license might spell the death of the company, or the loss of its going concern value. While the Bankruptcy Code intellectual property licenses can be at risk in a bankruptcy proceeding, and how, with a little forethought, those rights can be protected.

In bankruptcy, a company must decide whether to “assume” or “reject” its existing contracts. The company is permitted to shed burdensome contracts, referred to as “rejecting” a contract. A company also has the right to retain profitable contracts, referred to as “assumption” or “assuming a contract.”

Intellectual property licenses are generally considered executory contracts that the company must assume or reject. Federal courts have interpreted the Bankruptcy Code to severely restrict a company’s right to assume intellectual property licenses. In bankruptcy, the company must seek bankruptcy court approval in order to “assume” or “assign” a contract, including an intellectual property license; and the licensor has the right to “object” to the company’s assumption. Most federal courts have interpreted the Bankruptcy Code to bar a company from assuming an intellectual property license over the objection of the licensor. In effect, the licensor has veto rights over the company’s retention of the license. Stated otherwise, the licensor must “consent” to the company’s assumption or assignment of these license rights.

A small, but growing number of federal courts have found that the licensor’s “consent” maybe found in the terms in the license agreement, where the terms of the license permit the company to assign or transfer the license. Thus, even if the licensor files a formal objection to the company’s assumption or assignment with the bankruptcy court, the judge may properly determine that the licensor had already consented under the original terms of the license. The moral of these cases is that a little forethought in the initial drafting of an intellectual property license can make or break the company years later in a bankruptcy proceeding.

Recognizing the rapid growth of blockchain and the unique challenges faced by its innovators, the Chamber of Digital Commerce recently launched the Blockchain

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**Blockchain is transforming how we do business. A popular cryptocurrency called Bitcoin helped prove the blockchain concept. In fact, many people equate cryptocurrency and Bitcoin. However, cryptocurrency is broader and covers any digital “coin” or token transferrable from one party to another without a central ledger (like a bank) recording the transfer. Companies have recently seized upon cryptocurrencies to raise money with “initial coin offerings” or ICOs outside the traditional, highly regulated IPO framework. With the rise of ICOs, the cryptocurrency market is booming. Today, thousands of blockchain-based cryptocurrencies vie for investors.

Legal services supporting cryptocurrencies and ICOs are also expanding. Regulatory compliance of ICOs, for example, is a hot topic in light of recent SEC scrutiny. And even though cryptocurrencies are rooted in open-source technologies built on the principle of transparency, innovators are also concerned with protecting their unique IP in this space. For example, as of mid-July 2018, there are 576 published patent applications and 95 issued patents referencing cryptocurrencies—over double the number of published applications and triple the number of patents referencing cryptocurrencies this time last year. Cryptocurrency technology is still young, and this technology space is still relatively uncrowded with incremental improvement patents. Nevertheless, protecting new improvements can be challenging. For example, innovators must successfully navigate the U.S. Patent Office’s stringent guidelines for examining subject-matter eligibility in business method and software technologies.

Recognizing the rapid growth of blockchain and the unique challenges faced by its innovators, the Chamber of Digital Commerce recently launched the Blockchain

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**An Ounce of Prevention: Preserving IP Licenses in Bankruptcy**

By Peter W. Lianides

In today’s economy, the importance of preserving intellectual property rights cannot be understated. The loss of a patent, copyright or trademark license might spell the death of the company, or the loss of its going concern value. While the Bankruptcy Code allows companies to continue to operate, companies should be aware how their intellectual property licenses can be at risk in a bankruptcy proceeding, and how, with a little forethought, those rights can be protected.

In bankruptcy, a company must decide whether to “assume” or “reject” its existing contracts. The company is permitted to shed burdensome contracts, referred to as “rejecting” a contract. A company also has the right to retain profitable contracts, referred to as “assuming” or “assuming a contract.”

Intellectual property licenses are generally considered executory contracts that the company must assume or reject. Federal courts have interpreted the Bankruptcy Code to severely restrict a company’s right to assume intellectual property licenses. In bankruptcy, the company must seek bankruptcy court approval in order to “assume” or “assign” a contract, including an intellectual property license; and the licensor has the right to “object” to the company’s assumption. Most federal courts have interpreted the Bankruptcy Code to bar a company from assuming an intellectual property license over the objection of the licensor. In effect, the licensor has veto rights over the company’s retention of the license. Stated otherwise, the licensor must “consent” to the company’s assumption or assignment of these license rights.

A small, but growing number of federal courts have found that the licensor’s “consent” maybe found in the terms in the license agreement, where the terms of the license permit the company to assign or transfer the license. Thus, even if the licensor files a formal objection to the company’s assumption or assignment with the bankruptcy court, the judge may properly determine that the licensor had already consented under the original terms of the license. The moral of these cases is that a little forethought in the initial drafting of an intellectual property license can make or break the company years later in a bankruptcy proceeding.
Acquisition of a company can be driven by many different objectives. Access to tangible property, such as equipment, new facilities and inventory, can all be motivating factors. More often than not, however, the desire to acquire a company is driven by an objective to gain access to intangible property, such as employee expertise and intellectual property ("IP"). As with any transaction, exercise of good due diligence – both technical and legal – is critical, and can be particularly important with respect to acquisition of intangible property.

This article briefly highlights some of the areas important to conducting due diligence for acquisitions involving IP, such as patents, trade secrets, know-how, copyrights and trademarks.

The People
Access to the skills and knowledge of the employees of an acquired company is often of critical importance. To that end, confirm that employees and consultants of the acquired company have executed viable employment agreements and, importantly, agreements that have adequately assigned any rights in ideas and inventions and related intellectual property to the acquired company. Failure to adequately assign can result in loss of ownership of valuable patent rights, greatly affecting the value of the acquisition. Acknowledgement of confidentiality obligations by employees with respect to company proprietary information and trade secrets is also critical.

Ownership of the IP
Confirm that all ownership rights in U.S. and foreign patents, patent applications, as well as trademarks, service marks and copyrights, are held by the acquired company. In addition to establishing proper assignment by the creators, this includes confirmation that assignment documents have been properly recorded with the United States Patent and Trademark Office (USPTO), or similar administrative agency. Importantly, the documents should confirm that the chain of title is intact. Documentation transferring ownership is often required for foreign countries and, once the deal closes, such documentation may be difficult to obtain.

Identify any agreements in which the acquired company has assigned, licensed or has an obligation to assign or license its patent rights to third parties. This includes any obligations to license IP due to the membership of the acquired company in a standards body. Such encumbrances can greatly impact the value of the acquisition. Finally, confirm whether members of a given patent "family" are included in the purchase by identifying whether a given patent has a parent or children (usually in the form of continuation patents or applications). In some circumstances, ownership of related patents is required for them to be enforceable. Also, ownership of an entire patent family, including foreign counterparts, simplifies the enforcement of patent rights later.

Confirm the Quality of the IP
Confirmation of the value of the IP – particularly patents – is of primary importance. Initially, a review of the claim coverage of the patents and whether there is adequate coverage of the acquired company’s products and technology is important. Similarly, correspondence of the patents – particularly in terms of claim coverage – to the applicable industry is an important inquiry. Whether a patented invention is being practiced in the marketplace that aligns with the corporate strategy, or whether it is being practiced by a competitor, can be a key value indicator. If the patent coverage is overly narrow or simply doesn’t translate to the marketplace, the value in the patent portfolio might be significantly reduced.

Due diligence can also help verify that patents being acquired are free of issues that could result in reduced value, or even invalidity. Documents and information concerning past and present litigation, allegations of infringement or invalidity, and challenges to ownership of patents should be reviewed. Existence of properly executed inventor declarations and proper and complete information disclosure

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Snell & Wilmer

Five Practical Tips to Avoid Willful Infringement After Halo
By: Ketan S. Vakil and Sean Eggars

The decision in Halo Electronics, Inc. v. Pulse Electronics, Inc. made it easier for a plaintiff to show willful patent infringement by lowering the standard of proof to preponderance of the evidence (i.e., more likely than not) from the higher clear and convincing evidence standard (i.e., substantially more likely than not). As a result, now a defendant must be extremely careful when dealing with cease and desist letters or other allegations of patent infringement to avoid a finding of willfulness. With this new lower standard in mind, five practical tips are provided below to help avoid willful infringe- ment after Halo.

First, avoid intentionally copying a patented product or process. If there is evidence of intentional copying, the plaintifff will be well positioned to show that the defendant is a bad actor. If the plaintiff can demonstrate that the defendant acted egressionally or in bad faith they may be entitled to an award of enhanced dam- ages, which can reach three times the amount of the orig- inal award.

Second, any notification, such as a cease and desist letter, received accusing you of patent infringe- ment should be addressed immediately. Even the shortest delay could be construed as willfulness.

Third, you should perform a thorough and detailed analysis to determine if you are actu- ally infringing on the asserted patent. There are many patent assertion companies that make money by purchasing patents from third par- ties and then asserting them. Any legitimate cease and desist letter will include a patent number and a product alleged to be infringing. If the letter appears legitimate, you should thoroughly investigate the matter to determine whether the claim of infringement is valid.

Fourth, if you believe you are infringing on a patent, consider stopping the sale of your product or redesigning it to avoid further infri- ngement. Another option may be to respond to the patent owner to discuss licensing their patent(s).

Fifth, before you decide to redesign your product or if you believe no infringement has occurred, you should contact a licensed patent attorney to perform an independent de- tailed infringement analysis of the patent and your product to verify your findings. This should be done as quickly as possible and most certainly before the start of any litiga- tion. All opinions should be in writing as a verbal opinion will not adequately protect you. A good patent attorney will be able to understand what it is you are making and how you are making it. They may also be able to assist you in redesigning your product or process, help you reach a licensing agreement with the patent owner, or provide you with a written non-infringement opinion stating that your product or process does not infringe upon the asserted patent.

In closing, by following these five tips, you will make it more difficult for the plaintiff to prove you willfully infringed on their patent(s).

About Snell & Wilmer’s Patent Prosecution Practice
Snell & Wilmer’s intellectual property attorneys regularly assist clients with their patent prepara- tion and patent prosecution needs. Our patent attorneys focus on understanding our clients’ business including an in-depth understanding of their products and services. We work closely with our clients to develop strong patent applications and effective patent strategies, and to help them create and manage sophisticated and defensible patent portfolios that support their prima- ry business objectives. For more information about Patent Prosecution services, visit www.swlaw.com/services/patentProsecution_counseling.

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The Value of Litigation Support in Intellectual Property Disputes

By Ryan Nguyen, CPA, Forensic Auditing Manager and Gina Lara, MBA, CFP®, Forensic Accounting Analyst

In litigation support, win or lose isn't as important as by how much. This point is becoming especially significant in intellectual property disputes, where the median damages award in patent litigation increased more than 65 percent from the over prior year to $10.2 million in 2017. Here are some examples of what we have seen.

Trademark Infringement

Recently, we were engaged by Defendant's counsel to provide calculations related to a company that imported and sold purportedly "knock-off" designer apparel. Plaintiff sued the company in Federal Court alleging copyright, trademark, and trade dress infringement. Defendant was found liable for damages arising from three years of sales activity. Since the company maintained poor accounting records, Smith Dickson's work involved reconstructing records from handwritten notes, testing the accuracy of the information, identifying sales data and deductible incremental costs and determining the unjust enrichment of Defendant. Our testifying expert's opinion of the economic damages ultimately reduced the company's damage payments by over $14 million.

On another matter, we were hired to provide forensic analysis for a client who sold and repaired electronic equipment for the quick-service restaurant industry. Our client was sued in Federal Court by the largest industry manufacturer alleging trademark infringement, trade dress infringement and unfair competition for falsely representing themselves as being affiliated with Plaintiff. Defendant was found guilty, but our work was critical in rebutting Plaintiff's expert and minimizing, by several million dollars, the net profits identified by Plaintiff as disgorged by Defendant.

In an automotive industry lawsuit, we were asked to handle a case where a client registered a domain name similar to Plaintiff's. The domain name allegedly redirected traffic to our client's website for several months. Plaintiff sued for cybersquatting, trademark infringement and unfair competition. Through analysis of the client's web traffic and related revenues, we proved there was no discernible increase in page visits and revenues; thus, showing our client was not unjustly enriched.

Trade Secret Violations

In a theft of trade secrets case, we were retained by Plaintiff, the nation's second largest real estate industry conglomerate, to assess economic damages arising from a former employee who took a customer list and other confidential information with him to his new employer. Our computations of Plaintiff's profits from these customers before and after the incident revealed that our client suffered over $1 million in lost profits.

Licensing Disputes

In a recent licensing dispute, we were engaged by Plaintiff who is one of the world's largest providers of semiconductor and systems solutions for the aerospace and defense industry. The client sued for unpaid royalties from a patented photodiode they licensed to the Defendant. Smith Dickson's expert testified that Defendant's financial records exposed they were unjustly enriched by $5.4 million. The jury awarded our client this damages amount plus interest.

Win or lose, choosing the right certified public accountants (CPAs) for litigation support can be a multi-million-dollar decision. Smith Dickson, an Accountancy Corporation, has decades of litigation support experience in matters involving intellectual property, including trademark, trade secrets, licensing, patent and copyright disputes. Our work includes analyzing financial information, evaluating claims, calculating damages, preparing expert reports and rendering expert testimony.

To learn more about all of Smith Dickson, CPAs litigation support services, visit www.smithdickson.com.

Ryan Nguyen, CPA, and Gina Lara, MBA, CFP®, are part of the litigation support services team at Smith Dickson, An Accountancy Corporation, based in Irvine. Ph. 949.553.1020, www.smithdickson.com.
Recently, the International House of Pancakes, or IHOP, as it is commonly known, made national headlines and sparked significant social media traffic when it changed its name from IHOP to IHOB. The company first teased the name change on Twitter followed by a coordinated marketing campaign, creating online buzz and consumer speculation as to what the change meant – was it now the International House of Breakfast? Bacon? The company eventually announced that the “b” stood for “burger,” and it was revealed that the name change was only temporary and part of a short-term marketing campaign to bring awareness to the restaurant’s lunch and dinner items.

While the commercial effectiveness of IHOP’s temporary messaging is best left to marketing analysts, the short-lived campaign raises interesting questions about using and protecting trademarks as part of temporary marketing efforts. If your marketing department is contemplating an advertising campaign that will result in short-term changes to a key trademark, or to the company’s overall branding scheme, there are legal issues to keep in mind.

Clearance is key. Use of a new or changed trademark – even if only temporary – can still infringe on the prior trademark rights of a third-party. Therefore, before launching any new brand names, logos, or tag lines, work with trademark counsel to conduct clearance searches in the relevant jurisdictions in which the temporary branding will appear to try to avoid using marks or designs that may have the potential to cause consumer confusion with already existing brands.

Forego federal registration. While it is generally a good idea to file for federal registration of any new trademarks through the United States Patent and Trademark Office, it is important to remember that obtaining and maintaining a U.S. federal trademark registration requires continuous and exclusive use of the subject trademark in interstate commerce. If your brand or re-brand is only temporary, it may be a challenge to demonstrate the requisite use of the trademark to achieve registration or to properly maintain or renew a registration. Consider relying on common law rights and saving the marketing budget.

Protect what you can. Temporary or not, online branding efforts often beget online infringers. As part of your earlier clearance search, register any available domain names and social media handles that correspond with your short-term branding so they are available for use in your campaign, while also preventing abusive use by third-parties that may want to take advantage of your new messaging.

As with any new brand, even a temporary trademark requires consideration of clearance, use, protection, and enforcement issues. Consult a trademark attorney to make sure your new brand results in more publicity than problems.

Sarah Bro is a partner in the Orange County office of McDermott Will & Emery. Her practice focuses on the protection, management, and enforcement of domestic and international trademarks and copyrights, and strategic guidance in the areas of unfair competition, right of publicity, social media, digital marketing, domain name management, corporate transactions, licensing and intellectual property litigation support.
Currently, medical or recreational cannabis is broadly legalized in more than 30 jurisdictions in the United States, including four western states: California, Oregon, Washington and Nevada. This has led to rapid growth in the industry, fanning growing interest in securing patent and trademark rights for cannabis-related products. Unlike other industries, however, marijuana’s classification as a Schedule I drug creates inconsistencies to secure cannabis-related IP. There is no statutory prohibition for patent rights in cannabis-related products or procedures. In fact, the first patent related to cannabis was issued to the U.S. government (U.S. Pat. No. 6630507), and cannabis is one of the most popular fields for newly filed U.S. patent applications. So far, thousands of utility patent applications have been filed, as well as a handful of cannabis plant patent applications covering different strains. While a crowded field, patent rights can still be obtained for various cannabis-related inventions, including cannabis-related or derived products, methods of processing cannabis and storing and labeling cannabis.

In stark contrast, the federal government refuses to issue trademark registrations for cannabis-related products and services because they are illegal to use in commerce under the Controlled Substances Act. Yet, the door is not completely closed as federal trademarks can be obtained for certain classes including consulting and educational services. Thus, it is important that the applied for mark, specimen and goods or services do not resemble or cover cannabis or related products. Applications that strongly implicate a connection to cannabis will likely be scrutinized more carefully, and may trigger a refusal or request for information concerning the listed goods and services.

Fortunately, companies may still obtain state trademark registrations in states where cannabis is legalized, including California. In addition, companies may have common law trademark rights if they are using the mark in commerce. Ultimately, companies may want to file both state and Federal trademark applications to secure some rights and be better positioned should the legal landscape change in favor of deregulation.

Whether your business is cannabis-related or not, the legal landscape is ever-changing. Therefore, we recommend consulting with IP counsel to develop a tailored strategy for your business.

KICKING THE IP “TIRES” OF YOUR NEW ACQUISITION

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Statements (citing known prior art) should be confirmed, as issues could give rise to validity or unenforceability of a patent. Similarly, confirmation that appropriate maintenance fees and annuities have been timely paid should be checked. Finally, whether the acquired company has consistently and properly “marked” its products with any corresponding patent numbers can greatly increase a given patent’s later assertion value with respect to potential damages available, and is thus an important due diligence item.

Confirm Best Practices relating to IP

It is also important to assess the existence of best practices of the acquired company with respect to its IP and technology – the absence of which could indicate later problems. For example, if the acquired company is involved in any type of software development, insure that it has policies in place with respect to the use of so-called “open source” or “free software.” If such software is used, it is likely subject to a myriad of open source license terms that often dictate a number of use and/or distribution obligations, and could even result in the inadvertent placement of proprietary technologies in the public domain. Similar inquiries should be made with respect to a company’s practices with respect to its trade secrets (proper and ongoing protection mechanisms), and trademarks (proper use so as to avoid challenges to valid trademark status).

Conclusion

The acquisition of a new company often is driven by the need to access new technologies and valuable IP. Proper due diligence is key to confirming and validating assumptions about the value of that IP.

CRYPTOCURRENCY AND BLOCKCHAIN

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Intellectual Property Council (BPIC) to help members promote innovation and navigate IP decision-making processes. The BPIC is also exploring efforts to combat patent trolling proactively with nonaggression agreements, patent pools and license-on-transfer arrangements.

Although skillful application of regulatory law remains crucial to a successful ICO and cryptocurrency launch in the short-term, strategic application of IP law is also critical to a robust future for cryptocurrency and other blockchain-based technologies. Protecting IP rights and avoiding potentially infringing activity will become increasingly important both to innovators and prospective investors as blockchain continues to disrupt business as usual.
What Is Patentable Subject Matter? It is Time for Congress to Act

Patentable subject matter is defined in 35 U.S.C. §101 as “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” Since this statute was codified in 1952, there have been numerous court cases defining (or attempting to define) what exactly can be patented.

The latest Supreme Court case was decided over four years ago with the Court’s unanimous ruling in Alice1, involving patent eligibility for software and business method patents. The Alice decision set forth a two-part test for determining eligibility, but without clear guidance as to how to apply the test, as the Court deferred to the Federal Circuit and lower courts for clarification. However, the decisions since Alice have not provided much clarity. While various Federal Circuit cases provide additional data points for the patent eligibility issue, they are very much fact-based and fail to enunciate a bright-line test that can be objectively applied in the vast field of software technology. It is telling that even Federal Circuit judges have a hard time applying the two-part test. In Arthculo2, the court explicitly refused to articulate a “single, universal definition of an ‘abstract idea,’” noting the difficulty in fashioning a definition for “as-yet-unknown cases with as-yet-unknown inventions.” If Federal Circuit judges cannot define patent eligibility, how can the United States Patent Office (USPTO), with its vast numbers of examiners, be expected to do so?

Many problems arise when the patent eligibility laws are unclear. First, examiners spend an inordinate amount of time addressing 101 issues, which reduces the time examiners can spend on other issues such as prior art, as examiners only have limited amounts of time for each round of prosecution. That amount of time spent has now increased with the recent Berkhemier3 decision, which requires examiners to support assertions that features in claims are well-understood, routine, or conventional activity with factual determinations, which is a factor in determining subject matter eligibility. Two adverse consequences of this are that patents may issue that have not been fully vetted with regard to prior art, at least relative to pre-Alice, and patents that are novel, non-obvious, and useful may be unable to overcome current subjective 101 hurdles.

Second, inventors and technology companies spend resources trying to navigate the uncertain laws surrounding patent eligibility, many times with negative results. For example, a company may forgo filing a patent application on an important idea and keep it a trade secret. This deprives the public of seeing the idea and encouraging the development of new inventions, which is the primary purpose of the patent system.

In a speech delivered to the U.S. Chamber of Commerce on April 11, 2018, USPTO Director Iancu remarked that “current law surrounding patentable subject matter has created a more unpredictable patent landscape that is hurting innovation and consequently, investment and job creation.” He further noted that Alice has “inserted standards into our interpretation of the statute that are difficult to follow.” Furthermore, Judges Lourie and Newman of the Federal Circuit joined together in a concurring opinion in Berkhemier that urges Congress to clarify the law with respect to patent eligibility.

In short, courts have had plenty of time and opportunity to clarify section 101. However, patent eligibility guidance is not much clearer, even after at least 46 precedential decisions and 10 USPTO memos since Alice. Inventors, technology companies, the USPTO, and the public cannot continue to wait for the courts to clarify this important area of law. It is time for Congress to step in and change 35 U.S.C. 101 and accomplish something the courts have not been able to do: Clearly define patentable subject matter so that development of new inventions is encouraged and not stagnated by the patent system.

1 Alice Corp. v. CLS Bank International 134 S. Ct. 2347 (2014)
2 Arthculo (Israel) Ltd. v. Openet Telecom, Inc. 841 F.3d 1288 (Fed. Cir. 2016)
3 Berkhemier v. Hip Inc., Case No. 15-1117 (Fed. Cir. 2016)
Trademarks 101 for Startups – Basic Strategies

By Farah Bhatti

Before Walt, Donald and the Henrys, Orange County had largely been known for its surf and sand and a lifestyle. But as the late Chuck Martin wrote in “Orange County, Inc.” the county has become “an economic powerhouse.”

And the dynamic ecosystem here keeps changing, recently manifested in a large influx of technology and financial institutions—and startups, many in the lifestyle and apparel sectors that reflect the area's way of life.

And just like startups everywhere, these young companies face a litany of issues regarding intellectual property.

Young companies always struggle to balance the protection of intellectual property with financial considerations to ensure their rights aren’t left open to third-party infringement. Strategies for protecting IP, especially trademarks, vary depending on the nature of the goods or services being provided, as well as the publicity and the places where the products and marks will be used, as well as other factors.

Trademarks are intangible, but they’re quite often a company’s most valuable assets. While products start off as unique, they often are quickly copied or emulated by competitors. Original products are most often identified by the trademark.

For example, a Santa Ana-based footwear and apparel company became better suited for acquisition by properly protecting and enforcing its trademarks. In this instance, the trademark acted as the source indicator of their products, allowing consumers to easily identify whether a product is an original or a cheap knockoff. By establishing such brand recognition through a trademark, the company increased its product’s reputation, established itself in the industry as the original owner, and alerted consumers of knockoffs or fake or inferior products. This made it a prime candidate for acquisition, and it was subsequently purchased.

The name of a product or service is often the most important trademark to be initially protected, as is a company’s name. It’s wise for companies to ensure that a name is available for trademark protection prior to its use. Even if the name is available according to the Secretary of State, a search of the U.S. Patent and Trademark Office database should be conducted to ensure that it can be protected under federal trademark law. It’s a unfortunate thing for a company to spend substantial time and money on branding and company formation, only to learn the chosen brand or name belongs to someone else—and that all branded and company materials must be changed before launch.

Such changes cause unnecessary delay, can lead to reputational damage, and cost a substantial amount of money. Moreover, a delay in formation or having to change the name could result in lost investment or delay fundraising efforts while the company name and other issues are resolved.

Once searches show a mark is available for use and registration, applications should be filed, at a minimum, in the U.S. Most startups will commence doing business here and thus should initially focus on protecting trademarks in the domestic market. However, given the potential for doing business outside of the U.S., companies must be vigilant in tracking their online presences to determine where their popularity is growing. A U.S. trademark will protect the mark only in the U.S., so foreign protection must be considered separate and apart from protection of a trademark in this country.

Where a company produces, develops or manufactures products abroad, or where products or services are being sold abroad, serious consideration should be given to protecting trademarks where such activities occur. Unlike the U.S., which is a “first to use” country—i.e., the first user of a trademark automatically obtains common-law rights to the mark in the geographical area where the mark is used—most countries are in the “first to file” camp.

For such a country, the first person to file an application, even if they’re not the rightful owner of the trademark, can obtain rights to the mark to the exclusion of the rightful owner. This happens in many foreign jurisdictions where the unauthorized third-party registrant will try to sell the trademark back to the rightful owner for a substantial sum. For example, when a local apparel company followed this rule in its overseas expansion, the initial cost of the filing was much lower and a substantial savings over having to purchase rights from a third-party infringer, who could have prevented the use of the company’s trademarks and products in that jurisdiction.

Orange County is a hub for startups and a hotbed of trends, many consumers seek goods from companies based here, and people from around the world are aware of our beautiful and desirable location. For companies originating here, IP protection may be the best tool to allow growth of a brand and company while beating competitors, especially copycats.

Companies need to think about trademarks early on to protect their interests in the U.S. and worldwide, and allow unhindered growth without worry of being copied and undercut in the market. If in doubt, filing strategies should be discussed with a trademark attorney who can help come up with a plan to protect and enforce worldwide rights.

Editor’s Note: Buchalter is a full-service business law firm representing local, regional, national and international clients in practice areas including bank and finance, healthcare, litigation and intellectual property. Its OC office, founded in 1983, has 65 employees and 47 attorneys, making it No. 13 on the Business Journal’s March list of law firms.

Farah Bhatti is a Shareholder and the Chair of the Internet, E-Commerce, and Social Media Practice Group in Buchalter’s Orange County office. She focuses her practice on all aspects of trademark prosecution, including advising, counseling, and securing trademark protection for clients, with an emphasis on the worldwide selection and enforcement of trademarks. She can be reached at fbhatti@buchalter.com.