IP 101:
A Primer on Copyrights, Trademarks, and Trade Secrets

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Legal protection of physical, tangible property – land and personal property – is one of the oldest and most well-defined areas of law. Protection of intangible property, on the other hand – including such intellectual property as musical, literary and artistic works; inventions; and symbols, names, images and designs used in commerce – is a newer, evolving body of law. Nonetheless, just as the law recognizes protection of rights in tangible property, the law recognizes an owner’s bundle of rights in intangible property, prescribes certain methods for owners to secure protection of these property rights, and affords certain remedies when these rights are violated.

Generally speaking, protection of intellectual property rights falls into one of four categories, depending on the nature of the intangible property sought to be protected: copyright, trademark, trade secret, or patent.

Copyright protects creative expressions such as books, movies, music, paintings, photographs, and software, and essentially gives the owner certain exclusive rights to control reproduction and adaptation of the work for a certain period of time. Trademarks protect particular words or designs which identify a source of goods or services. The law governing trade secrets protects non-public information concerning the commercial practices or proprietary knowledge of a business, and makes disclosure of this information illegal under certain circumstances. Patents (which are not addressed in detail in this article due to the specialized nature of this practice area) protect works, such as inventions, which are new, useful and non-obvious.

COPYRIGHT
The Basics

Under U.S. law, and in particular the Copyright Act of 1976, copyright is a form of protection provided to the authors of original works, including literary, dramatic, musical, artistic, and certain other intellectual works. Copyright protection is available to both published and unpublished works, and covers artistic expressions such as novels, software code, art, photographs and music. Copyright protection begins as soon as an original work is fixed in a tangible medium. The term of copyright protection generally runs from the moment of creation through 70 years after the author’s death.

Copyright is the property of the author who created the work in most cases. If the work was made for hire, that is, during the course of employment, the employer (rather than the author) owns the copyright absent some other agreement between the parties. As a practical matter, therefore, most employment and/or independent contractor agreements should address rights to intellectual property created while performing a job or during the course of employment.

Copyright ownership creates five specific rights in a work: the rights of reproduction, modification, publication, performance, and public display. The copyright owner can license any
or all of these rights to a third party, for example, for use on websites, screenplays, or commercials.

These rights, however, are subject to certain limitations, such as the fair use doctrine, which is set forth in the Copyright Act. The fair use doctrine, the most common limitation on the rights of a copyright owner, essentially grants someone other than the owner a limited privilege to use the copyrighted material in a reasonable manner, without the consent of the copyright owner. Typically, courts consider four factors to determine whether use of copyrighted materials falls within the “fair use” exception: the purpose and character of the use; the nature of the copyrighted work; the amount and substantiality of the portion used; and the economic impact of the use on the market.

**Copyright Registration**

Registration with the United States Copyright Office is recommended, but not necessary for copyright protection. The registration process is relatively straightforward and inexpensive, and affords certain additional protections for the copyright holder if completed in a timely manner (i.e., within three months or before an infringement occurs). The owner of a registered copyright, as opposed to an unregistered copyright, who prevails in an infringement action may recover statutory damages and attorney’s fees (under certain circumstances). If the copyright is not timely registered, the owner may still sue for infringement but must prove actual damages (often a difficult task), and is not entitled to recover statutory damages.

**Infringement and Other Copyright Violations**

In order to prove copyright infringement, the plaintiff must establish two elements: (i) that the alleged infringer had access to the copyrighted work and (ii) substantial similarity between the works. All infringement actions must be brought in federal court, and remedies may include injunctive relief, actual damages, and profits from the infringer.

**TRADEMARKS**

**The Basics**

Trademarks and service marks are words, symbols or names used in commerce to identify a source goods or services, and to distinguish certain goods or services from those made or provided by others. In addition to names or words, marks may also include abbreviations, acronyms, slogans, colors, symbols, designs, sound combinations, product shapes and product containers (known as trade dress).

The federal statute governing trademarks is the Trademark Act of 1946, or the Lanham Act, and defines a trademark as follows:

The term “trademark” includes any word, name, symbol or device or any combination thereof used by a person, or in which a person has a bona fide intention to use in commerce and applies to register on the principal register applied by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127. When a trademark identifies a service, rather than a good, it is called a “service mark.”

In a nutshell, begin protecting a trademark by taking at least the following steps: select a mark that is eligible for protection, register the mark federally, and aggressively police the mark to stop infringers from stealing goodwill.

**Trademark Registration**
Although federal registration of a trademark is not required for protection of the mark, registration with the U.S. Patent and Trademark Office allows a registrant to take advantage of uniform laws applicable to trademarks, and may allow for enhanced damages in the event of infringement. State registration is also available in some jurisdictions, but these registrations generally do not create rights for trademark owners, as does federal registration, but merely provide notice of the registrant’s claim to ownership of the trademark. (Note that mere use of the mark in commerce, without registration, may only provide trademark rights in the geographic area of its use.)

Federal registration gives notice that the owner of the mark claims exclusive rights to use the mark in association with products and services identical or substantially similar to those of the mark’s owner. Before a mark can be registered, however, it must meet certain requirements. The mark must be *inherently distinctive*, and can be readily registered if it is arbitrary, fanciful or suggestive. On the other hand, a mark which is merely *descriptive* cannot be registered absent a showing of “secondary meaning,” which can be established where consumers have come to think of the word not as descriptive of certain goods or services but as the source of a particular product.

**Protecting Trademarks after Registration**

When using a registered trademark, designate the mark as such by use of the ® symbol. This is one of the most basics acts the owner of a mark can take to put others on notice that the trademark is protected. Failure to use this designation may result in the trademark owner’s loss of the right to receive treble infringement damages. (For unregistered marks, or marks for which an application to register has been filed but registration has not been granted, use the ™ symbol for trademarks, or the SM symbol for service marks.)

Similarly, failure to police use of a mark may lead to loss of trademark rights. Accordingly, the mark owner should police use of similar marks through a reporting service, and send cease and desist letters when similar use is reported.

**Trademark Violations**

Violation of a trademark owner’s rights comes in two basic flavors: dilution or infringement. Dilution occurs when a famous mark is used by an advertiser even though there never will be any possibility of confusion, mistake or deception because the owners of the two marks do not compete.

Trademark infringement occurs when consumers are “likely to be confused” as to source of goods, or affiliation between a senior and junior user of a trademark. To determine whether there is likelihood of confusion sufficient to constitute infringement, courts consider and balance an array of factors (which may vary slightly among the federal circuits): the strength of the owner’s mark; the similarity of the marks; the similarity of the goods; the relationship between the parties’ channels of trade; the relationship between the parties’ advertising; the classes and sophistication of prospective purchasers; evidence of actual confusion; and the defendant’s intent in adopting the mark as its own.

Remedies for trademark infringement may include injunctive relief, monetary relief in the form of defendant’s profits and damages sustained by the plaintiff, plus the costs of the action; reasonable attorney’s fees in exceptional cases; corrective advertising; and impoundment and destruction of infringing articles. Also, the Lanham Act permits treble damages where the infringement was willful.

Again, fair use may be a defense to trademark infringement claims, provided the mark is used in a descriptive sense and not as a trademark.
TRADE SECRETS
The Basics

A “trade secret” is information that is valuable to its owner, not generally known, and which has been kept secret by the owner. Unlike copyrights, trademarks and patents, trade secrets are protected only under state law. Most states have adopted the Uniform Trade Secrets Act (“UTSA”), which defines trade secrets as information, including a formula, pattern, compilation, program, device, method, technique, or process that (i) derives independent economic value from not being generally known and (ii) is the subject of reasonable efforts to maintain secrecy. Trade secrets may include customer lists, designs, instructional methods, company processes, or formulas.

Six factors are relevant to determine whether material is a trade secret: the extent to which the information is known outside of the claimant’s business; the extent to which the information is known by the claimant’s employees; the extent of measures taken by the claimant to guard the secrecy of the information; the value of the information to the claimant and the claimant’s competitors; the amount of money expended in developing the information; and the ease with which the information could be acquired by others. Information which is generally known will not be eligible for protection as a trade secret.

Protection of Trade Secrets

Since the very definition of trade secret is dependent on the secrecy of the information, there is no formal registration process. Rather, trade secret protection attaches automatically when information of value to the owner is kept secret. The owner of a trade secret has the right to keep others from misappropriating and using the trade secret.

Although registration is not available, there are still steps which owners must take to protect trade secrets. Most importantly, the owner must make reasonable efforts to maintain secrecy. Such efforts may include limiting Internet access to and/or transmission of materials considered to be trade secrets, keeping this information in a secure environment, limiting access to information which is considered to be a trade secret, and using confidentiality agreements with employees, contractors, vendors and/or other business partners who may have access to trade secrets.

In addition, the federal Economic Espionage Act of 1996 (“EEA”), which is codified at Title 18, Chapter 90 of the U.S. Code, criminalizes the theft or attempted theft of commercial trade secrets and conspiracies to steal trade secrets. A conviction under the EEA carries penalties of up to 10 years in a federal prison, plus fines up to $250,000 for an individual and $5 million for an organization. Civil injunctive relief and restitution are also available remedies.

Misappropriation of Trade Secrets

The most common occasions of trade secret misappropriation involve industrial espionage, or individuals who have taken the trade secrets of former employers to use in a new business or on behalf of new employers. Importantly, the owners of trade secrets have recourse only against misappropriation, and may not protect trade secrets to the extent they are discovered through another’s research or engineering.

CURRENT ISSUES IN IP LAW

Recent issues in IP law involve protection of intellectual property on the Internet. Although all of the laws protecting intellectual property apply to use on the Internet, precisely how some of these laws apply remains unsettled. For example, is it permissible to use another’s trademark in for the purposes of keyword advertising using Internet search engines, or is this an infringing use? What kind of copyright protection is afforded to websites?
Although as a practical matter, the judiciary’s decisions may lag behind technology, several laws have been enacted to address IP issues relating to the Internet. For example, the Digital Millenium Copyright Act (“DCMA”), signed into law on October 28, 1998, makes illegal the circumvention of copyright protection and access control technologies, such as DVD encryption and password-access controls. The DCMA also addresses copyright infringement liability for internet service providers (“ISPs”).

Similarly, Section 1125(d) was added to the Lanham Act to fight cybersquatting. In essence, this law prohibits persons from trying to profit by registering, trafficking in, or using a domain name that is identical or likely to be confused with a distinctive trademark or the name of a living person (in bad faith). These prohibitions generally do not apply, however, when a domain name is registered for the purpose of criticism.

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While this article cannot comprehensively address all pertinent aspects of the law governing intellectual property, it should provide a framework and familiarity with basic IP principles from which, at a minimum, business lawyers can identify the nature and scope of intellectual property rights, take steps to protect the same, and monitor infringement or other violations.