

Legal Road Map® Podcast – Season 2 – Episode 19 Transcript

Does your business need to protect its intellectual property?

[00:00:06] Welcome to Season Two of the Legal Road Map® podcast the legal podcast for creative and online entrepreneurs. I'm your host lawyer autumn with this season I'm featuring case studies of successful entrepreneurs. You'll hear about how they've grown their businesses and the legal lessons they've learned. Plus I'll be sharing how you can grow your business to the next level helping you navigate issues like book deals licensing and certification programs. Copyright and trademark copycats and collaborations and partnerships.

[00:00:39] Hi everybody I'm so glad you're here with us today. Today, I am going to be talking about what kinds of business needs to worry about protecting its intellectual property: its copyrights or its trademarks. Go check out shownotes for this episode and every episode on my website. They're at www.awbfirm.com/podcast and the number of the episode. This one is www.awbfirm.com/podcast19. You can always click on the podcast link at the top menu bar of the website. We'll have a transcript of the solo episode and links and an outline of everything that we're chatting about in each episode. So let's dive in

[00:01:14] Now, you guys know if you have listened to other episodes of this podcast that I am an evangelist for protecting intellectual property if that is an important asset of your business. But not every business needs to run out and register all of its copyrights and all of its trademarks. There maybe intellectual property in your business that is not important enough to warrant making that investment. I want to talk about what kinds of businesses need to be keeping intellectual property front of mind and maybe what kind of business, it's not going to be your number one priority. My standard disclaimer: I am a lawyer. I'm licensed to practice law in Tennessee. Everything I'm talking about today is based on United States intellectual property laws but I'm not your lawyer. Please--this is just information. Do not rely on it as legal advice. You are going to want to talk to your own lawyer whether it's me or someone else to get advice that's specific to your situation. Everything I'm talking about today, I hope it will help you understand that no business is the same. Every business is going to have different considerations to think about when you're trying to decide if the intellectual property in your business needs to be protected or not. So definitely chat with a lawyer before you make any decisions. This is an important, important part of your business.

[00:02:22] Okay, so what kind of business does need to think about protecting its intellectual property? The first one that I would want you to think about is if content is at the core of your business. Maybe you are selling an educational course, maybe you have a blog where you're writing and capturing beautiful photographs, maybe you're a web designer or a graphic designer so you're always creating things. If your creativity and things that you are creating, for lack of a better word, if content is at the core of your business you definitely need to be thinking about copyrights and trademarks. Another example of this could be a platform company, so think of a service software (ugh, I always mess this up!) a software as a service company--a SAS company. They are providing a platform where maybe some of their content lives and maybe other people's content lives there. So again, content is at the core of the business. Another type of business--and this can be more traditional manufacturing, product-based company, brick and mortar type business. If the brand is the core of your business, so if the fact that your products or services are identified with this brand is really the most important thing about your

business. An example that I often give is Coca-Cola. So there are lots and lots of coke-type drinks out there and I think they've done taste tests that they all taste really, really similar even though I would disagree. I'm a Coke girl, not a Pepsi girl. But really what makes Coke money is that it is branded as Coke. Because when you see it on the shelf, if you like the taste of Coke, you're going to grab the Coke bottle. That brand is really, really important to their company. I would argue it's their biggest asset other than probably the recipe for Coke.

[00:04:00] And so protecting that brand and making sure that other people aren't confusing customers in the marketplace--aren't trying to use a similar logo layout or aren't trying to copy their packaging--all of those things are super duper important to Coke but it's not a company that I would think of as like a content or a creative company. It's a very old school manufacturing company. So if the brand is at the core of your offerings or let's say you have a signature product or a signature type of way that you do things and you've got a name for that and that is branded, again, that's something you might want to think about protecting.

[00:04:36] On the other side of the spectrum is going to be a smaller, truly local business. Maybe it's a restaurant with one location or a retail store with one or two locations but they're all in the same town or in just one state. These these types of brands are generally not going to be as valuable and they're also not as likely to get knocked off. So if you're a purely local retail shop, you're not really worried about what (and maybe you're in Tennessee where I'm located) you're not really worried about what a similar shop in California is up to because they're not going to draw your customers. Your customers are purely local. So your brand is really purely local and it's built more on your relationship with your customers, your word of mouth marketing and maybe you're doing some social media and internet marketing as well, but with a truly local type business. The intellectual property is just never going to be as valuable. Now if you take that local company and maybe they're wanting to expand to other states or they're wanting to do franchise or do some licensing where they're allowing other people to use their brand, once you start to grow beyond that purely local community brick-and-mortar type business, then your intellectual property may start to matter. So even if you are starting a very purely local brick-and-mortar type business if you have bigger goals and I've worked with some businesses here in Chattanooga that they're local right now but they have big, big goals and big dreams and they have a plan to accomplish that in the near future. We are starting to protect some of their intellectual property like their name, their logo, some of their content. We're starting to protect that a little more aggressively than we might do if they wanted to just stay purely local. The reason I want you guys to think about this is because, as I mentioned at the outset, it is an investment to protect your intellectual property.

[00:06:24] So I'm--you know, I'd be happy to take everyone's money--but I usually counsel against a purely local brick-and-mortar type 1 store business registering the trademark to his store name because even though that would make me money it's probably not necessary for their type of business. They could probably use that money better elsewhere. So you have to decide with every investment that you make in your business, what is your return on the investment? What's the ROI? And does this make sense? Is this the highest and best use of that money

[00:06:53] So the other type of company that I want to hit on before we move on is an online or e-commerce company. So in those spheres, your intellectual property is often going to be really the heart of your business, the biggest asset that you have in your business. It's probably going to drive your revenue stream--the fact that you have a well-

known domain name or an e-commerce shop that everybody knows the name to. Think of a Zappos or, on a smaller scale, something like Cents of Style. They are very well known and that brand is very valuable. So they don't have a lot of physical assets, they don't have...well, [laughing] those two that I just mentioned are a product base so they do have some pretty significant assets. You might think of a Marie Forleo in the more virtual not physical goods. You know, her brand and B school and her other courses, she does not have a lot of physical assets but those brands are what make her all the money because people know that those courses, they do what they say they're going to do. She has a strong reputation that she has built on the backs of those brands so those are key assets to her business.

[00:08:03] All right. So just briefly I want to go over the difference between copyrights and trademarks because I'm going to talk about the benefits to registering each of these. And I know there can sometimes be a little confusion. If you want to dig more into copyright basics and trademark basics go back to Season 1 and listen to Episode 5 and that is going to give you a better foundation. I'm just going to really touch on it briefly for those who haven't joined us for all of Season 1.

[00:08:26] So copyrights are going to protect protect what I call creative content. Think about a picture, a painting, a photo, a movie script, a movie, a book, a sculpture. It also can be things that aren't quite so fun and creative; things that you might have in your business like your employee manual could be protected by copyright or your website copy. Certainly the graphic elements on your website or in your products are going to be protected by copyright if they're creative. It could be your logo if it's got creative elements in it. So think about your course content. If you are in the education space or training space. Anything that you are creating from scratch. It's not based on somebody else's stuff but it comes out of your brain or out of your hands or out of your camera or your computer. Those are the kinds of things that are going to be protected by copyright. It's not going to protect facts and ideas. That's the one caveat.

[00:09:21] Trademarks are different. They are going to protect things that identify your brand or your products or services. So we were talking about Coca-Cola earlier. That would be a great example of a brand. Nike is another favorite example I have. So the word Nike is going to be a trademark. The Swoosh symbol, their logo, is going to be a trademark because when you see that you think about the Nike brand and then also their slogan "Just do it" also could be a trademark. So it's usually short phrases or words, a company name, a product name, things that when people see it on a shelf or in a store they immediately think "oh that came from XYZ company." Those are what we think of as trademarks.

[00:10:00] I want to start with who needs to register a trademark and, just as background, I'm going to be talking about federal trademarks. There are state trademarks in every state and also, you automatically by using a trademark with your business will have what are called common law rights. But I'm going to talk about, today, registering a trademark with the U.S. Patent and Trademark Office which gives you protection in all 50 states. So what kind of business needs to think about registering their trademark? That's mostly what we think about when we talk about trademark protection in the United States.

[00:10:32] So the first thing to think about is--is your business selling products or services in more than one state? There does have to be some element of what we call interstate commerce to register a federal trademark. Now for most--most businesses can meet those. It's a very low bar, even if you're a purely local restaurant and you serve customers

from out-of-state. The trademark office has held that that's enough. But when we're thinking about what kind of businesses it makes sense to make this investment, I do often say, are you using this trademark in more than one place? Because your common law trademark rights will give you some level of protection but that protection is only going to apply where you're actually using it.

[00:11:11] So let's say you're that Chattanooga, Tennessee, based retail shop, your trademark rights are only going to apply in the Chattanooga area if that's the only place you have stores. And if somebody in Georgia opens a similar store you're not going to be able to take action against them because your state law rights will not go into that other state. Registering a federal trademark would make sense if you are looking to expand into other states and you wanted to stop someone from having a store with a similar name in those other states. So think about whether you're operating outside of just one geographic area.

[00:11:44] Another really key thing to think about is does the trademark that you are thinking about protecting contribute to your revenue stream? So is it either the name of a product that is very profitable or is it a tagline that you use on lots of different products? So it is making you money. Is that your main company name? Is it your umbrella brand that you're using on everything and when anyone sees that they think of you

[00:12:11] I often will have people come to me with "I have this really cool idea of a phrase and I want to register it" but they haven't put it on anything, they haven't sold anything with it. It's not really tested in the market and of course you could try to apply to register that. But I don't think that, again, I don't think that that's necessarily the best use of your limited resources. I usually say I want it to be something in your business that is important and to me, important means it's making you money. Because again, we're looking at that return on investment. Are you making enough money from the thing that you're wanting to protect that it makes sense to spend the amount of money that it takes to protect it? And just to give you a general overview, lawyers charge lots of different fees to do a trademark registration, but if you are using a lawyer it's probably going to be several thousand dollars minimum to register a trademark and then the USPTO filing fees are going to start at \$225 per category of goods or services. So even if you are doing it on your own without a lawyer, you are looking at a minimum of a \$225 filing fee. Since most people are using their trademark with multiple categories of services or products, those filing fees can really add up quickly. So it is definitely an investment and you want to spend that money wisely. The most important thing I think to think about with "does it make sense for me to register this trademark with my business?" is what how would you feel if you saw a competitor using the same trademark or a very similar trademark? Would you think it's no big deal? Or would you be absolutely devastated? And I think if you've met the first couple requirements: you're not a purely local business, you're making money from this thing and it would just feel like you've been stabbed in the back if you saw a competitor using the same trademark, then I think it makes sense to start thinking about doing a trademark registration.

[00:13:54] The reason for that is once you get the trademark registration certificate, after you go through the whole series of steps to do that, you are then required under the law to protect those rights or you can lose them. So it's not enough just to get the certificate and then you never do anything about it. You have to actively be monitoring the marketplace for your competitors and make sure that the same phrase or similar logo is not being used by your competitors because there there's a chance that it could become diluted. And if it becomes so common that it's not anymore telling people that it's your business or your

brand, then if you ever did have to go after a competitor and file a lawsuit you would have a very, very weak case. So you don't want to end up with a trademark that you've spent all this money investing in and registering and then it ends up being really weak and kind of not worth anything at the end of the day. By asking yourself how would you feel if you found a competitor using a similar trademark, I think that helps you figure out, would you put your money where your mouth is? If you got a trademark certificate and actually send that cease and desist letter or reach out to that competitor and say "hey, I saw this. This is too close to what I'm doing. It's going to be confusing to our customers. You need to stop." Because that's really the next step, and then possibly filing a lawsuit if it had to come to that. There are steps that you have to take and if it would feel devastating for you to lose those rights, then you would be more likely to actually take those steps.

[00:15:22] I want to just touch on, because I get a lot of questions about this, there can be some issues if your business involves your own personal name. So we've been talking about kind of brands, but a lot of our online businesses are started by an individual and you build a personal brand and maybe your company is your name. So there are some tricks with this that I just want to go over quickly. It can be registered as a trademark. I mean, think about Beyonce or the Kardashians. There are individual names that can be registered with the USPTO but it may be an issue if you want to sell your business down the line. And I know a lot of us who are forming new businesses were not thinking about an exit strategy early on, but I want to get you starting to think about that once you reach the Integration Phase which is what I've been talking about this season (and go back to listen to Episode 13 if you don't know what I'm talking about). It's this phase of business where everything is clicking, you're making money, you are on the right path to where you want to go, you're starting to wear your CEO hat, thinking about what you might do if someone approached you to buy your business or maybe take some investors or do all kinds of other things that would be a transition or an exit from your business. If your business is your name, that becomes much trickier because the brand value is in you. And it's much harder to exit that kind of business. So something to think about. It can be done. Two of the brands that I did a little research on before this episode were Kate Spade and Martha Stewart, because those are both very personal brands with the name in the brand name. And they've both been sold. So those founders may be involved a little bit, I don't know, but they have both transitioned where there's a third party that owns that company now and I'm sure with both of those--I know with Kate Spade because I researched this a little bit--she has rules on how she can use her own name now because she sold that brand to this other company and really the value of that brand is when you see the name Kate Spade on a cute handbag, that's the brand identity so she can't then go start another competing brand that's called Kate Spade. So she has a new brand. It's called Frances Valentine. It's totally different and I'm sure she's limited on how much she can use her own name in marketing that brand. Martha Stewart Omnimedia was sold to a company called Sequential Brands. They are kind of a licensing and brand company. They also own the Jessica Simpson fashion line, fun fact. So it is possible to sell a personal brand and exit that way but it definitely can complicate matters.

[00:17:54] So let's go over some benefits from a federal trademark registration. Why would you maybe want to think about this for your business? So one really important benefit is that if you do want to license it to others, that means you give other people permission. Let's say you maybe have a certification program or you have a method that you use in your business and you want to let other people teach it or you certify them as trainers. If you're--whatever that method name is--if that's a registered trademark, it's just going to be much stronger and more valuable as part of that licensing program. The people who are your certified people, your trainees, are going to see more value in that and probably be

willing to pay more for it because they know you have protected that brand. And that if a competitor came in and tried to use a similar brand you would stop them. So that gives them a stronger brand to promote. So it's more valuable, it's better protected. It also gives public notice to others that you own the mark. So your trademark and the fact that you own it will be listed in the USPTO database. And I hope you've all done searches on your business names. Most new businesses will run a search in the USPTO database to make sure that nobody else is already using a similar name or has registered a similar name. Your place in that database is really valuable. It stops a lot of copycats, honestly, before they start because if they see that your name is there they know that you have made the investment, that you are willing to protect your rights and oftentimes, they won't try anything. They'll choose a different name right from the get-go. At least, that's certainly what I usually counsel my clients if they find an identical or really close name that's already been registered with similar products or services. We'd take another look at doing something different because we know someone else is already out there using it and it's going to be very difficult for us to use it and protect it in the way that we would want to.

[00:19:47] The next thing to think about: you may be able to use easy and quick online takedown procedures if you do find a copycat. So all of the major platforms like Etsy, YouTube, Facebook, they have really easy online procedures where you just fill out a little form and if you own a registered trademark, you can put your registration number there and they will automatically take down infringements in some cases. It's not 100 percent, but it does give you a leg up. It's much easier than you trying to contact somebody who doesn't know you from Adam and trying to convince them that they need to take down their infringing content. If you can get a platform to do it for you, it is so much easier. You may still be able to do that with an unregistered trademark but it's going to make your rights much clearer and much stronger and more likely for that to be able to work. The next thing is that if you do have to send a cease and desist letter to try and stop someone from copying your name or using a similar logo or branding in their business they are going to take you much more seriously if you have a registered trademark. So it's going to help you enforce your rights. Now could you enforce common law trademark rights with a cease and desist letter? You absolutely can. But I can tell you from experience that when someone sees that registration number they know that you mean business. So it is often much easier to negotiate and resolve infringements without having to file a lawsuit. People know that you are taking things seriously.

[00:21:14] It's also easier to prove trademark infringement if you have to sue. Now you can sue for trademark infringement whether you're registered or not. This is a key difference between trademark and copyright law which I'm going to talk about copyright registrations in a minute. You can file a lawsuit even if you don't have a registered trademark, but it is much easier if you do have that federally registered trademark and you have certain advantages during the lawsuit process. I'm not going to bore you with all the legalese but I will just tell you you don't have to present so much evidence. You kind of have a leg up during the lawsuit. It doesn't mean that the other side can't disprove some of the presumptions that you get under the law, but you start out in a much better position than if you're not registered.

[00:21:59] The last thing I want to mention is that if you're a product-based business you can actually record your trademark registration with the U.S. Customs and Border Protection Service and they will help you stop counterfeit goods from coming into the country. So if there's a logo or a product design or something that you put on your products that is really significant--think of like Louis Vuitton handbag with the very iconic logo. Those are knocked off all the time in China and other really low-cost labor countries.

So when those are imported into the United States if you're registered with the border service--it's not, again, it's not 100 percent--but it makes it so much easier to go after infringers and to stop some of those counterfeit goods from even coming into the United States. And then one more tiny piece...I know most of my listeners are in the United States, but as you grow and you think about expanding your reach you may think about needing trademark protection in other countries. If you have a U.S. trademark registration you can piggyback on that registration to start a trademark registration application in other countries. And there are several ways to do this. Again I'm not going to get into it because it's very complicated, but let me just say again you kind of have a leg up. It makes it easier you still have to go through a registration process but it can save you some money and time and just it kind of paves the way because once the U.S. government has approved it, it helps make everything smoother under the treaties, under the international intellectual property treaties for trademarks. All right, so those are the main benefits for trademark registration in the United States.

[00:23:33] I'm going to move over to copyrights now. So now we're thinking about maybe our blog content, our course content, images, movies, a book. The more creative pieces of your business. So who needs to register a copyright? I would say if you are using that content to make money then that is a revenue stream that you need to protect. And here is why: because you cannot file a lawsuit in the United States for copyright infringement unless you have a registration. You can't even get into the courthouse to try and stop someone from using your most valuable content until it's registered or until you've at least, in some states, filed an application with the U.S. Copyright Office. So you can send a cease and desist letter, you can try and negotiate with somebody, but if they know you can't actually take that next step you know that your threats are basically hollow. Then you have very little bargaining power. So if you need to be able to protect that revenue stream from somebody copying you then it's very very important that you register.

[00:24:39] So let's think about what kind of businesses these are. It could be a blog, if you have a really popular blog post and your revenues are tied to the number of hits or you're getting ad dollars based on the rank in the search results. And if somebody else--I've had this happen to a client. Basically her blog post that was paying her mortgage every month was copied almost verbatim and all of her images were copied. All of that content was copied and it was copied by a website that had really great SEO and all of a sudden it was outranking her and her income just took a nosedive. And to be able to stop that and get her back to where she should be she had to register that content. If you have an online course or a program that you're making money from. I think as these get bigger you have more students going through and you have students who sometimes think "Oh that's a great idea. I could do that." And so I do see really profitable courses and educational products workbooks, those kinds of things being copied. I have a client who sells educational curricula and she was telling me that she has a competitor who was basically shut down because their curricula--like the lesson plans that parents can use to teach their kids--people were just passing them around, they were copying them and distributing them which is totally against your copyrights. But if you're not registered it's really hard to shut that kind of thing down. So if you're making money from something like that it's important to protect it. If you've got a book or another asset like that where you are selling it and making money and you don't want people copying big chunks of it without your permission, that's something you need to think about registering. And then if your company does digital downloads. I've been working a lot lately with sellers on a website called Teachers Pay Teachers which you guys may have heard of. It's again in the educational space. It's teachers creating worksheets and other classroom resources for other teachers to use. So it's all digital downloads and there's a lot of digital downloads I know on Etsy and other

other places as well. So if that is something you're making money from, those are really easy to pass around once they're a digital file. So if you want to be able to stop that, especially from someone copying it and selling it--it's a smaller deal if someone's just passing it along to a friend--but someone copies it and is selling hundreds of copies and all of a sudden your sales dip. That is something you might want to think about registering. If it's a big moneymaker for you because you would want to be able to stop that.

[00:27:08] So let's go over the benefits from copyright registration. As I mentioned at the beginning, you're better able to negotiate with copycats because you won't be taken seriously if they know you can't actually file a lawsuit. You have no "oomph" behind your cease and desist letter if they know that it's an empty threat. The other real benefit to registering and this is especially to registering early is that your potential damages if you do have to file a lawsuit go way, way up. So again I'm not going to bore you with a super detailed analysis but if you register before someone copies your work--so this is incentivizing you--the Copyright Office wants you to register early so if you register early before someone copies your work you can get up to \$150,000 per work. If someone takes five photos that's five times \$150,000 and you can get your attorneys fees. You can make the infringer pay your attorneys fees.

[00:28:04] So it's very expensive to file a copyright infringement lawsuit. You're probably looking at five to ten thousand dollars just to hire an attorney and get the thing started: file a complaint, do all the legwork that's necessary to get it started. And then it's going to be many many thousands of dollars to get through the rest of the process. If you ever have to go to trial you're looking at hundreds of thousands of dollars probably in attorney's fees. And this is not because lawyers are terrible it's just because it's an awful lot of work and it's a long process to get through a federal copyright infringement litigation. So it's hard to justify spending all of that money unless you have what the law gives you if you register early, which is the potential to make them pay not only damages but also your attorney's fees. So I say all of this not because most of you are ever going to file a copyright litigation lawsuit. I hope none of you ever have to, although I'd be happy to help if you did. But because when you're negotiating with someone else, when you have to send a cease and desist letter, you can tell them "if you do not stop here's what I will do: I will sue you. These will be your potential damages and you will have to pay my attorney's fees." And that is very persuasive because no one getting that letter wants to face that potential exposure. I mean, it's hundreds and hundreds of thousands of dollars and sometimes this stuff is protected by insurance, but a lot of times it's not and that will put many businesses out of business. So that is not something that they want to face and they will probably be quite happy to negotiate with you to stop doing whatever you want them to stop doing and hopefully pay you a little bit of money for your time and trouble. So this is all--these are just kind of leverage points. Having a copyright registration before someone copies you gives you a huge amount of leverage if you ever do find someone copying your work.

[00:29:47] The last thing I want to mention is like the trademark database, there is a copyright office database. I will say it is not great. It is searchable, but the way that the information is entered is very difficult to search from things unless it's something like a book that has a title that everyone knows or a song or a movie where there's a well-known title. If you're trying to figure out if a photo is registered, good luck because the way that photos are registered they're often registered in big collections. You're not going to see the title of every photo that's in a collection. And you can't click on anything on the copyright office website to see which photos are in a collection. It will just kind of--a lot of times it'll say "May 2015 collection of photos." So it's very difficult to figure out if a photo is actually registered, or things like blog posts and other other online content. So the online database

with the Copyright Office is helpful if you have something that has an obvious title and not that helpful for other things. But if you do have something with an obvious title, like a book, it may stop an infringer who might check to see "is this thing registered? Do I need to worry about someone coming after me?"

[00:30:54] All right, that is going to wrap up all of the benefits and the kinds of businesses that might think about protecting their intellectual property rights. If you have questions about what I've talked about in this episode, and I know it was a lot of information, I would love to see you post them in the Legal Road Map® Facebook group. We have a great group of business owners, creatives in there and we are always asking each other for support and help and legal questions come up all the time so we'd love to have you there. Just search for it. You do have to request to be added but we will add you, no problem at all.

[00:31:23] Thank you very much for listening. I hope you tune in next week. Episode 20 is going to be Stacy Tushl of She's Building Her Empire. She is going to talk about her experience with registering a trademark with Legalzoom and then registering a trademark with a lawyer and the differences between those two processes. I get tons of questions about working with Legalzoom so you're really going to love that episode. And then following that episode, Episode 21, I'm going to talk about what I see as the differences between filing a trademark registration on your own or with Legalzoom and working with a lawyer. So all of this is going to be really great advice for those of you thinking about protecting the trademarks in your business. I hope you'll join me then.

[00:32:06] Did you know that you could be making more money from your copyrights and trademarks? Intellectual property is probably the most valuable asset in your creative business, but most entrepreneurs don't know how to identify it and you can't monetize what you can't find. Download my free five-minute IP audit worksheet at awbfirm.com/podcast. You'll find out what parts of your brand, logo, images, website, courses, digital downloads or other content could be protected by intellectual property laws. And you'll create an inventory of your most valuable trademarks, copyrights, patents or trade secrets so you'll know what's worth protecting as you build a more profitable and sustainable business.

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