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# What Every Start Up Should Know about Intellectual Property Law

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## 1. Short Summary

Every new business venture or product line has, at its root, an idea that makes it special, which is intended to distinguish the new venture from other competitive offerings already in the market or coming to the market. Identifying what differentiates a venture or product line, and the right type of intellectual property that can be used to protect it can be critical to a start-up's success. This article examines the types of items that can make a start-up (particularly an internet start-up) special, and the available types of intellectual property that can be used to capture and protect it.

## 2. Introduction: Common Aspects of Internet Ventures

Traditionally, Internet ventures make product or service offerings through a website. However, with the growth of additional powerful access points, such as smart phones, tablets and who knows what will come next, mobile applications and mobile marketplaces have also increased in importance to start-up ventures.

There are certain fundamental aspects that Internet sites (whether social media websites or otherwise) have in common.

First, an Internet site resides at a domain name or Uniform Resource Locator (URL), which acts as the address of the website.

In addition to an organizations' own website address, the organization may also present itself to the public through other portals, like corporate or fan pages on other websites (e.g., Facebook fan page, Pinterest fan page, Twitter feed page, etc.). They may also be accessed through downloadable applications from App Stores (e.g., Apple's App Store, the Google Play App Store, Amazon, etc.)

Furthermore, social media may be directly integrated into an organization's websites by allowing for users of the websites to comment or share information in response to postings on the websites (like blogs) or products offered for sale (like product reviews or commentaries). Social media may also be integrated in less direct fashions, such as through sharing links which allow a user to tell his or her friends on a social media website like Facebook that the user "likes" the product, article or website, or by providing a link in a "tweet" on Twitter.

Websites and mobile applications are now commonly used to sell products, content, or to display other kinds of information.

In addition to merely displaying data or other information in response to an inquiry, websites and applications can also obtain, process, reformat and/or display data obtained from other sources. For example, the social media management tool, Hootsuite (https://hootsuite.com) provides feeds and posts from various social media sites, such as Facebook, Twitter, LinkedIn, and FourSquare. Similarly, the social magazine app, Flipboard (https://flipboard.com/), aggregates content from numerous content channels and reformats them as an online magazine.

As discussed further below, these websites and mobile applications can be protected by intellectual property rights. In addition, they can potentially infringe upon others' intellectual property rights. Thought should be given both to protecting key IP as well as reducing the risk of third-party claims of infringement.

## 3. Relevant Intellectual Property Laws

Intellectual property can be thought of as property of the mind. Expressions of ideas, identifying information, inventions and business relationships can all be protected (and potentially infringed) through different kinds of intellectual property laws and related legal theories. Websites, applications and content can potentially impact an organization with respect to each of the below-discussed areas of intellectual property law.

- **Copyright law** protects original expressions of ideas from being copied by others.
- **Trademark law** protects identifying information (e.g., your organization brand) from being used in a confusingly similar manner by more than one organization in a related line of business.
- **Patent law** protects new, useful and nonobvious ideas from being used by others.
- **Business Torts Law** protects against wrongful conduct such as misappropriating another's property, unfairly competing, or tortiously interfering with someone else's business expectation or contract.
- **Trade Secret law** allows for the protection of secret formula, patterns, or compilations of information.
- **Contract law** protects business partners as the parties to the contact agree.

### 3.1 Copyright Law

Copyright law provides legal protection for original expressions of ideas being reproduced without authorization. Copyright protection covers a large variety of original works, including:

- "literary works," like books and magazines, computer software and related works,
- "musical works," like songs and the lyrics,
- "dramatic works," like plays,

- "pantomimes and choreographic works," like dance movements and ballets,
- "pictorial, graphic, and sculptural works," like paintings, pictures, jewelry, toys and statues,
- "motion pictures and other audiovisual works," including movies, television broadcasts and DVDs,
- "sound recordings," including MP3 files,
- "architectural works," like designs for buildings, and original compilations of data.

On the Internet, copyright law can be used to protect original content, such as photographs, artwork, articles, representations of data compilations and other information on a website or used in application. Publication of content on an organization's website or other websites or applications can be protected by copyright law, but failure to timely register a claim to a copyright can limit the ability of the organization to enforce the copyright and collect damages.

In the context of social media websites, blog postings, answers to requests, "tweets", pictures taken or created and posted on a user's page, or other content driven expression are all potentially copyrightable. An organization needs to be careful how it, its employees and others post the organization's content and content of others.

Some interactive websites and applications claim copyright ownership over all items posted on their websites. Others recognize that the copyright remains with the author (presumably the individual or organization posting the content at issue). Before an organization allows for its information to be posted or distributed by others on the internet or through applications, it should make sure to carefully review the terms and conditions of such websites to make sure that the organization is not unwittingly giving up its copyrights to the content.

Copyright law can be an effective way to protect an organization's data and other original content. As more and more big data operations are being developed and implemented, Copyright law can be an important tool used to protect this valuable asset. Copyright law can also potentially be used to prevent others from data mining content from an organization's website and using its original content without permission. In particular, manipulating, parsing, reorganizing, and merging public data with other data can lead to potentially copyrightable data.

In addition, if consideration as to how a website obtains, manipulates and presents data and other information, that website could be the subject of a copyright infringement action by others. Here again, this is an area where consulting counsel in the first instance can save an organization a lot of expense and aggravation over the long haul.

Organizations also need to be careful of posting or distributing the copyrighted content of others without permission. Clearing rights to post others' copyrighted material is an important step for any organization.

Ownership of copyrights is also a difficult area for many people to fully understand. In preparing copyright applications, organizations are often lulled into thinking that because the form appears so simple, they do not need expert advice on how to fill it out. However, this is an instance where the

apparent simplicity can lead to disastrous results. See, e.g., "Joint Authorship of Doo-Wop Song Found Based on Disputed 10 per cent Contribution to Lyrics", http://jiplp.oxfordjournals.org/content/4/12/864.full Journal of Intellectual Property Law & Practice, November 1, 2009.

Identifying authors of a particular work and source materials from which a work was derived can be complicated. Also, making sure that a particular work made either with the assistance of or by another is a "work for hire" and/or properly assigned is another area where errors often occur. Many purported copyright owners do not appreciate that not every kind of "work" qualifies as a "work for hire".

Making sure appropriate contracts are entered into when a copyrightable work is being prepared is important, and it is worth consulting a trained copyright lawyer in the first instance.

### 3.2 Trademark Law

In general, trademarks are used to identify a single source of products and services sold on a website.

A trademark is a name, symbol, word, or another readily recognizable item, such as a well-known slogan, that uniquely identifies the source or origin of goods. In other words, a trademark identifies where a particular product comes from.

Trademark law protects against likelihood of confusion; that is, whether consumers are likely to think that the sources of two goods or services are the same.

Web pages and applications commonly use word or logo forms of trademarks. Logos in particular are used in App Stores to let users identify and down load mobile applications. In the multimedia world that the internet has become, it is not surprising to also visit websites where sound marks (e.g., "Hedwig's Theme" from the Harry Potter movie playing on a Harry Potter website) are used to identify the source of the website.

Similarly, domain names for websites can also be based on an organization's trademark, e.g., http:/www.amazon.com, http://www.google.com, http://www.apple.com, etc. More recently, general top level domains ("gTLDs") can be set up based on an organization's trademark. For example, these same organizations can have .amazon or .google or .apple instead of .com as their extension.

In social media, not only is an organization's trademark used in the main URL address, such as the use by Facebook of its trademark in its URL address http://www.facebook.com, but users' trademarks may be used to identify specific user pages on such social media websites. For example, Starbucks has a Facebook page to advertise a specific coffee product.

On the Internet, trademark law can potentially be used to protect competitors from selling goods or services with confusingly similar marks. It may also be used to prevent the use by others of domain

names and user pages that incorporate an organization's trademarks and search engines and other software that use an organization's trademarks to divert potential customers to competitors' websites, applications, products or services.

These are important business tools that cannot be ignored when operating a business on the Internet or with mobile applications. The role of social media in this potential attraction or diversion is increasing every day as more organizations create "fan" pages, social media websites create and implement more widgets to interconnect with other web outlets, and more and more opportunities to use trademarks in URL addresses are created, with not only additional high level domain names (.com, .org, .biz, .net, .tv, etc.), but also with individual user pages on social media and other websites.

To start with, as with other businesses, the selection and use of appropriate trademarks for an internet-based business is quite important. Selection of certain kinds of marks with popular descriptive terms in them can direct the flow of Internet traffic to an organization's website.

However, adoption of that same kind of trademark can also result in consumers, who are looking for that organization's products or services, being diverted to a competitor's website in a fair and reasonable manner.

Consider, for example, the mark "1-800-Contacts". On one hand, whenever a consumer searches for "contacts," a website containing this mark will be returned. Thus, many potential internet consumers may be driven to the website. On the other hand, when consumers search for the mark "1-800-Contacts," consumers may be diverted to a competitor's website, since search engines can sell the key word "contacts" to competitors with minimal risk of being accused of trademark infringement.

Therefore, while selecting a mark that includes the product being offered as part of that mark may direct traffic to the website, there may also be great difficulty in trying to stop others from redirecting traffic to their websites.

Another important consideration at the time of selecting a mark is whether others are already using the mark. Thus, it is prudent to do a "clearance search" prior to implementing a new mark.

Trademark law can also be useful in preventing others from adopting domain names or gTLDs that incorporate an organization's registered trademark. These third party domain names using an organization's marks can be harmful to its reputation (depending upon their content) or can divert potential business leads away from the organization.

While procedures like lawsuits OR UDRP proceedings exist to force third parties that misappropriate an organization's registered trademarks to return the domain names to the organization, the easiest way to avoid such costly procedures is for the organization to register the various, obvious derivatives of its marks to be directed to its website in the first instance.

Spending fifty dollars today can save an organization thousands of dollars in the future. In order to ensure that an organization's trademarks remain enforceable, best practices dictate that a proper system of monitoring and enforcing those trademarks be set up and maintained. Such a system typically includes the use of watch services to review filings with the US Patent and Trademark Office, periodic internet searches, following up with cease and desist letters, and if necessary, enforcement proceedings. Using "alerts" from search engines can also help identify unauthorized use of an organization's trademark on the internet.

For social media websites and other internet venues, the identification of the party whose duty it is to police and enforce against violations differs internationally, as evidenced by the seemingly contradictory results in the U.S. and France in actions brought against eBay for its alleged failings in protecting against the sale of counterfeit items. *See, e.g.*, eBay: A Tale of Two Defenses, http://www.arelaw.com/downloads/ARElaw_EbayTaleOf2Defenses.pdf

IP Law360, August 22, 2008. More recently, legal battles have also erupted over policing duties on websites like YouTube (www.**youtube**.com/) and Vimeo (https://vimeo.com/).

Organizations should set up appropriate policing mechanisms to see how their important trademarks are used on e-commerce and social media websites, and when appropriate follow such websites notice and take down procedures to protect against abuses.

While these procedures may at times seem like expensive diversions to an organization, the cost of not instituting such procedures can be diverted sales, brand tarnishment, and potentially a loss of trademark rights.

### 3.3 Patent Law

With respect to websites and mobile applications, patents can potentially cover ways that websites and mobile applications operate, ways that an organization's website interacts with other websites or applications such as through advertisements or linkages, or other operability that may be developed in the future.

Since Dot Com revolution at the turn of the last millennium, patent protection has been important with respect to the Internet. Although over the past few years, critics have sought to limit so-called "business method" patents, the recent Supreme Court decision in *Bilski v. Kappos,* 130 S. Ct. 3218, 2010 U.S. LEXIS 5521 (2010) has confirmed that such patents are here to stay, and thus cannot be ignored as a class. Although the law on patent-eligibility of computer-implemented inventions continues to be in flux, ignoring the potential use of patents for an organization or risk others will use their patents against your organization is too great to be ignored.

Patents are issued for a limited time (20 years from earliest filing date) for new, useful and non-obvious ideas to the first and true inventor.

While patent offices around the world are struggling with this issue, at least in the United States, novel and non-obvious techniques for manipulating data can potentially be subject to patent

protection. Similarly, in the United States, other novel and non-obvious business method techniques can also potentially be subject to patent protection. In the context of the internet and applications in particular, at least in the United States, patents can be used to prevent others from copying novel and non-obvious aspects of a website or application such as:

- How data is accessed and manipulated;
- Novel and nonobvious functions of your software;
- New business methods implemented by your Web site or application;
- New functionality of your software programs;
- New techniques used to block misappropriation of your data.

Because of the difficulties that the US Patent and Trademark Office has had in grappling with man-power issues and the flood of applications in this area, it should be recognized upfront that obtaining patents in this area can be more costly, time-consuming and difficult than for patents in other, more traditional subject matters.

As new business models are developed and implemented, patent protection for new and non-obvious practical applications and particular implementations are being sought and obtained, and will be the subject of future litigations in years to come.

### 3.4 Business Torts Law

In addition to federal trademark law, there is a host of related state law causes of action (e.g., unfair competition, tortious interference, trespass to chattels, misappropriation, etc.) that can be used to address trademark-like injuries.

For example, unfair competition is a flexible cause of action directed to address unfair or fraudulent business practices. A cause for unfair competition can potentially address a wide range of conduct by competitors that affects an organization's business.

Examples of cases in which unfair competition claims have been invoked include false or deceptive advertisements, misstatements about a competitor's products, and other false and misleading statements that injure a business or its reputation.

When actual or potential customers are diverted by improper means from an organization's website, a cause of action for tortious interference with contract and/or tortious interference with prospective business relations may be appropriate. However, since this is a state law claim, it important to make sure to consider the correct law and the scope of potential defenses available under that law.

Tortious interference claims can address the circumstances where an organization's trademarks are misused by other websites and cause inappropriate diversion of customers or prospective customers from the organization's website.

Conversion and misappropriation claims apply when property is taken. An interesting legal theory exists whereby a misappropriation claim may be present when goodwill is taken by improper acts, such as adopting another's business name in a jurisdiction where that entity does not do business, but nonetheless has fame and goodwill based on that entity's operation in other venues.

Trespass to chattel claims apply when someone improperly intrudes upon another's property. These types of causes of action have been used, for example, to stop third parties from robot mining data from a website.

### 3.5 Trade Secret Law

Trade secret law protects a secret formula, pattern or compilation of information. One of the most famous trade secrets is Coca Cola's secret formula. Another is the Colonel's secret recipe for Kentucky Fried Chicken. Other examples of trade secrets can include a secret manufacturing process, a list of customers or trade routes who purchase or would likely be interested in purchasing a particular product or service, or the source code for a computer program.

Most organizations protect some aspect of their businesses using trade secret protection. Some are better than others at doing so.

Social media, mobile applications and the Internet can put at risk an organization's trade secrets. Since the *sine qua non* of a trade secret is that it is kept secret, the speed and ease in which information can be rapidly (and permanently) distributed with a click of a button poses a clear risk for any organization seeking to maintain a trade secret. A simple posting of an organization's secret information can destroy the secret and leave that information to be available to anyone.

Consider an organization that considers its customer list to be a trade secret and seeks to protect such information. A salesperson who identifies those customers as "friends" on Facebook, or "connections" on LinkedIn, or some other similar status on another social media website, could destroy the secret nature of such a list. It also can lead to that salesperson, in essence, appropriating that information should he or she leave to go to work for a competitor.

### 3.6 Contract Law

Contract law can be used to fill gaps in intellectual property law, and obtain protection that might not otherwise be clearly available.

The best time to work out the scope of rights with a business partner is at the beginning of the relationship. At that time, parties are more willing to give and take with each other since the prospect of a successful and profitable business relationship is around the corner. Thus, at that time, provisions can be included in agreements that help ensure that intellectual property will be recognized and respected.

One form of contract that can potentially impact an organizations rights is a terms and conditions, or terms of use page on a website or for subscribers of a mobile applications.

However, care must be taken on how the contract clauses are drafted in order to avoid the risk of such clauses becoming unenforceable. Similarly, unwanted public attention can focus on terms of service, which on the one hand may be legal, but on the other hand seem unfair or creepy. Avoid adopting a policy that will come across to your consuming public is wrong, unfair or manipulative.

Arm's length agreements can be useful ways of establishing royalty rates for intellectual property. Care must be taken in specifying what is being paid for pursuant to the agreement, such as the services, goods, rights to use intellectual property, etc.

Non-compete clauses, so long as properly drafted considering appropriate state law, can provide protection that other areas of intellectual property law might not otherwise provide. For example, non-compete clauses can protect an organization from key employees leaving and stealing business or trade secrets. Again, care must be taken to come within the parameters of the particular state law that governs the contract.

Agreements that license rights to use an organization's trademarks can include remedies that are broader than the law might otherwise provide. Consequently, the uses that an organization tolerates by agreement can affect the uses that the organization can object to in future disputes. The failure to include certain necessary clauses in trademark licenses can have adverse results on the enforceability of such marks in future contracts.

Organizations can use shrink wrap/click through agreements to prevent misuse of an organization's data by users. However, the enforceability of such agreements may be an issue, depending upon the terms, conditions, choice of law and method and document by which the user acknowledges acceptance. Using plain language and click through notifications can help an organization enforce such agreements.

Contracts can also be used to fill other gaps that other forms of intellectual property law might otherwise leave open.

## 4. Conclusion

Just as with other businesses, it is important for Internet and mobile businesses to carefully consider how to protect core assets with intellectual property and/or contractual protections. Business stake-holders should develop a strategic plan to identify an organization's intellectual property, to turn it into a tangible asset, and to properly enforce and protect it.

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