

Denise C. Werkley, Esquire
W. Patrick Scott, Esquire
Presenters

TIM PHELPS: My name is Tim Phelps. I'm the Executive Director for the Greater West Chester Chamber of Commerce.

MacElree Harvey's Managing Partner, Lance Nelson, and I sit together on the West Chester Business Improvement District Board. Joe Bellinghieri, another attorney from MacElree Harvey, is on our Board of Directors. This seminar began from our talking about the importance of business law

to small business.

The Chamber is working with MacElree Harvey on four seminars about business law, this being the first, to help small businesses thrive.

Between 80 and 90% of businesses in America are small businesses. That is really what the makeup of our West Chester community is. So it's very important we keep everybody on the cutting edge of the process.

Our presenters today will be Denise Werkley and Pat Scott. It is my pleasure to introduce both of these fine people today to help improve your business.

DENISE WERKLEY: I'm Denise Werkley and across the aisle is my colleague Pat Scott. Pat and I work at MacElree Harvey in the business department. I focus on technology. Pat specializes in business transactions.

We're here today to talk about some practical considerations for your business and its technology – including some legal consequences that you might not be aware of.

Feel free to ask questions or jump in if you have issues that you want to discuss.

Let's start with a showing of hands . . . How many of you now have a company website for your business right now? ... Everybody.

How many of you are actually sure that your company owns the website? ... Only one person. Interesting.

Unfortunately most companies don't own the entire website. They might own pieces of it, but they often think they own all of it when they don't. There are multiple pieces to a website that you need to be aware of.

QUESTION: By the website, do you mean the web address, or the actual place where it's located?

DENISE WERKLEY: Both. The web address, which for us is www.macelree.com. That's the domain name. You may or may not own the domain name and you may or may not own the content of the website, and you may or may not own the look and feel of the website, both of which are very different.

We'll start with the name. You have to choose a name, and we'll get to some of the considerations you need to think about when actually choosing your name in a little bit, when Pat speaks. But the domain name is the www and then you choose a name and add .com or .net or .biz.

That name is usually based on marketing, it's something related to your business name, something related to a product. And you usually pick it based only on marketing, when you should really consider some other issues, which we'll get to.

Once you pick the name, you're going to have to register it with a registration company. And there are lots of registration companies out there, and if you already have a website somebody somewhere along the line registered it with a registration company.

Chances are that you or the correct person in your company never actually checked to see who owns the website or who actually listed their name as the owner when they registered it.

It is a common oversight. The owner of a domain name is the person listed on the form. It's very simple. The person listed on the form as the registrant is considered the legal owner.

If you hired a website company, somebody to design your website, and told them to handle the whole package, just go ahead and take care of it all for me, I don't really want to be bothered, they oftentimes put their own name there.

So you see, you think you own the domain name because you paid for it, and they'll put their name in there. Hopefully, it was an oversight, but if it ever becomes an issue that name in that box is evidence that they own it. They have full control over your website at that point.

What you need to do, number one, is check to see who the registrant is on your website. It's something quite simple to do, you can go on the Internet and check it. Just go to any "whois" site, W-H-O-I-S, such as www.whois.net or Network Solutions.com. You'll find a whois box that allows you to

check the name of the domain's registrant.

If it's not your company name or one of your key employee's names (I'm assuming that you're not necessarily a sole proprietor), but if it's any individual's name or especially a website company or even an employee name, you need to have that changed.

QUESTION: Should you do a change where it says registrant and system admin, should these all be your company?

DENISE WERKLEY: Right. The registrant name is the owner. There's also a box for administrative name and a box for technical contact. The administrative name is generally the person who receives the bill when it comes time to renew, so that needs to be somebody that you're comfortable with, who will get the bill, know what to do with it and they'll make sure it gets paid.

The technical contact is the person who handles all the technical stuff that you might not be aware of. They're generally the people that host the website. And that should be a company that you're familiar with and comfortable with. People often use the registration company, they'll use Network Solutions to host it, and that may be fine when they're starting, but know that they do have control over your site. They can take it down and put it up at any time they want. They're not supposed to, but sometimes they do.

You should really look into finding somebody more local that you're comfortable with to host it and to be able to make changes to it. Does anybody have any further questions about the actual domain name and how you make sure that you own it?

On to the actual website. There are some definite copyright issues.

Number one, the content, the actual paragraphs that you see there. Then there's number two, the look and feel of the site. We'll start with the content.

First of all, copyright is legal protection, legal rights in the actual authorship. If you write something, as soon as you write it, it's copyrighted.

Copyright happens automatically, you don't have to do anything for it. It happens as soon as you fix something in tangible medium. As soon as you speak it, you write it, you perform it, it's copyrighted. So when you sit down to put content together for your website, it's copyrighted to your company.

The issues come when you hire somebody else to put something together for your website. Or, you put some bullet points together and you send it off to a website designer. You say, "Can you put something together for me and put it up on the website?" They say, "Sure, no problem." You don't necessarily own what's put up on the website then, because you didn't create it. You just created the ideas behind it. You didn't create the actual content. So you need to be sure that you either create it or that you have some sort of an arrangement with the person who is creating it, to make sure that you're protected.

QUESTION: How about photographs?

DENISE WERKLEY: It depends. Photographs are generally copyrighted by the person who takes them. If you put a photograph up on a website and somebody else takes it off that website, they're infringing your copyright.

QUESTION: Let's assume you are selling products on your website, you bought the products from the master

company, and your industry's is very small. So I contact the master company and I say, "You have this photo on your website, or you have this literature, can I put this literature on my website?" Same literature, word for word, verbatim. And they say "Sure, you can do whatever you want." It's a very low-key thing. You are doing this routinely for years. So far, nobody's called you up and said, "You're copying our literature, what are you doing?" And they actually want you to put the literature on there because they want you to sell their products, obviously. How much of an issue is this?

DENISE WERKLEY: It's probably not, because you received permission.

QUESTION: Yeah, but it's just word of the mouth, you know, nothing legal.

DENISE WERKLEY: Right, and that's fine. You just need to obtain some sort of permission. Of course, in a perfect world you would obtain written permission – an authorization. But practically that just doesn't work for most business owners. You've obtained permission and you've done everything you can.

The good news is that the first thing people try to get you to take something off your website that they're not happy with, they'll send you a cease and desist letter, demanding that you take it off. And at that point you can make a decision.

QUESTION: It may be jumping the gun a little bit, but I've seen...when you say you have somebody else take your idea and turn it into a final written document on the Internet, I've seen people put copyright wording in the source code. Is

that a way of transferring the ownership of the content?

DENISE WERKLEY: It can be. Are they putting their own copyright or are they putting it in a copyright for the company?

QUESTION: I've just seen the word copyright.

DENISE WERKLEY: Who they're giving the copyright to is the issue. Often the programmer and the designer will put something behind the website that you can't see that talks about the copyright. This is often for their own protection, not yours. They're reserving the rights for themselves. That is most oftentimes just for the look and feel. To be honest, most designers don't really care about the content because they're not selling your particular product and they're not in your business. But they're worried about the actual look and feel. They're worried about the color, layout looks, the logos that they may have designed, where they put hyperlinks. That's where the real issues come in, and that's where the designers are concerned. What you need to be careful of, the worst-case scenario, is that you'll have a website, you'll have paid a lot of money, somebody's designed your website for you, used these great colors, made great logos they created for you, and then two days later you see somebody else, your competitor, with the exact same website. Different wording in the paragraphs and with different names at the top, but it's the exact same website otherwise.

That is a scary thing for competing businesses, because people do get to know your particular website and how it looks. It's why people don't change them all that often, they are recognizable.

QUESTION: Is it customary for designers to keep control of copyrights to the actual look and feel?

DENISE WERKLEY: It's not unusual, and if you don't do something at the beginning to take that copyright ownership away from them, then they keep it. They're not going to tell you. They're going to want to use it. They want to use it in their portfolios and they oftentimes think that they can't use it in their portfolio if they don't keep ownership rights.

You could always grant them permission to use it in their portfolio, because that's not going to hurt you, in fact it will get you more exposure.

But from the beginning, before you start putting your website together with a designer, you should check to see if you have a written agreement. A lot of designers now, more reputable ones, will have some sort of a website creation agreement. In there it needs to say that they are creating this website for you as a work for hire, and it has to have those words, "work for hire".

And if it doesn't say those words then it should say that they're assigning any rights in the website once it's created, to you, or to the company.

This website creation agreement is very important as a beginning step because that's how you get the ownership rights. As I said, copyright happens immediately.

As soon as they create the look and feel of your website, they put the colors on and they put the logo on and they fix it and sometimes they do the coding, it's owned by them.

You don't have any rights to it except a limited right to use it. And so you need to get those rights transferred to your company. If you didn't do this at

the beginning of your website creation, what you should do now is see if they'll assign it to you. This often is not an issue for a company until they stop using that website designer or hosting company. And then you have possible issue.

QUESTION: If you somehow get the rights at the beginning or later, how is it decided if they do designs for a lot of people, what does it take for the second design to be different from the first design?

DENISE WERKLEY: It's really subjective. You have to really be able to take a look at one site, put it next to the other site and notice the similarity. A lot of sites look the same and are laid out the same. If it's the same colors and every page in the website is the same...it's subjective, and you can argue about it for weeks. And sometimes they do.

QUESTION: Are the establishment of certain things considered generic at this point?

DENISE WERKLEY: There are certain things that are generic. For example, putting the navigation bar on the left-hand side of the page, the bar that has all the buttons, tells you where to go on the website, that's pretty generic.

Somebody can't own the copyright on putting it on the left. Having a navigation bar at the bottom is pretty generic. Generally, having the logo up in the top left corner is generic. It's the actual logo and the colors and if they put any shapes in the buttons, if they have any specific movements that happen when you roll over them, those kind of things are what the designers are looking to keep ownership of.

We've covered that you need to own your name, you need to own the content, and you need to

own the look and feel, in order to fully protect your company. If you don't, you need to take some immediate steps to make sure that you do. A domain name and a website are valuable assets to your company, and as your company grows, they're going to be even more valuable. When you're looking to sell your company, it can be sold as an additional asset and gain you more money.

When you are putting together a website, keep in mind that you must be careful where you pull items and graphics to put on that website. You will not own anything that you pull from what is called the "public domain."

For example, if you go to Microsoft's website and pull off some graphics from their clip art collection, you don't own those graphics even if you put the on your website. They are out there in the public domain and freely accessible for people to use.

If anybody wants to claim any type of copyright ownership the ones to do that would be Microsoft, although they would have a hard time since they have put it out there in the public domain.

You should check any website including Microsoft's to determine whether the clip art is really out there in the public domain or whether it is licensed to you for a particular use. If it is licensed, you should be careful to comply with the terms of the license.

QUESTION: Are the images in some of these canned programs like you get clip art from Office, are those typically public domain?

DENISE WERKLEY: They are, although often times they are under specific license to the purchaser of the software. They often are just giving you permission to use them when you buy the product to use them.

They are out there so often on the Internet that it would be hard for any software company to claim ownership.

QUESTION: So you don't have to worry if you use the Microsoft clip art?

DENISE WERKLEY: No, not generally. And as I said, if they really want you to you could take it down when they send you a cease the desist letter asking you to remove it. They will send you a letter. Microsoft will send you a letter.

PAT SCOTT: That is a good question because what we see a lot is not so much using photos that are in the general public domain, but for example using an employee photo. I want to show Pat Scott working really hard in his office and I put it up on my website. Say this is my company, these are people that work for us, etc. We always recommend that you get permission from the person whose likeness is going to appear on the website before you do that. That person has the right to protect his or her image, or his or her likeness, from publication.

QUESTION: And then when they leave and are not there anymore and they say I don't want my picture on your website anymore?

PAT SCOTT: Then you have got to take it off.

QUESTION: Even if you have their prior release? Or did they grant a permanent permission?

PAT SCOTT: Well, it depends. If you structure your consent or release to say that I have the right to have your likeness on my website until the end of the world, then arguably you do have the right to keep it on there until the end of the world.

But, as the owner of my likeness I would argue that I have

the right to control it, so I could revoke that permission at any time. So I would still say to you, even the language of your consent might be broad and allows you to keep that employee on there until the end of time, I would say, "Let's avoid a fight and take it off."

DENISE WERKLEY: Before we get into some of the other issues with websites, I just want to go over the basic types of intellectual property. As I said, copyright – the protection of the expression of an idea, it's the wording, the performance of something. Trademark on the other hand is the protection of a name of a slogan or a logo that identifies the source of your goods or services.

Trademarks are often used for marketing purposes and for example, you can only get a federal trademark if you use the word or slogan between states. Does anyone here have a federal trademark?

AUDIENCE RESPONSE: No.

DENISE WERKLEY: Does anyone here have a Pennsylvania state trademark?

AUDIENCE RESPONSE: No.

DENISE WERKLEY: Even if you don't have a registered trademark, either state or federal, you may have a trademark under what is called the Common Law. This would be in your local area or geographic region, the area where you are using the trademark. You can still have general rights without actually having to register it, these rights are based on your use of the mark.

To get a federal trademark which is what most people recognize as the R with a circle around it, you have to meet specific requirements to even file and then follow the application through an entire process to get a registered trademark. Just a side

note, a little known fact that if you do own a trademark you are required to police for other uses of the mark.

In order to keep your trademark rights you need to assert ownership by working to stop others from using the same mark. So, if you have a product that you have created and a name that you have attached to it, or a logo that you use, but you haven't registered a federal trademark, you should still police by going out there to see if somebody is using a similar logo in a similar product area, particularly if it is in your geographic area.

For a website, this comes into play specifically in terms of their domain name, and this is what Pat is going to address with you in a little more detail. The domain name that you choose for your website, you need to be very careful in its selection.

Just because it is your business name that you have chosen off the top of your head or that you have been using for years does not mean that it is not infringing someone else's trademark. Just because it is your product name doesn't mean that somebody else is not using it or wasn't using it first. You also want to be sure that other people out there are not infringing your trademark which is where the policing comes in. If you are concerned about infringement there are several things that you can do under certain laws and that is where Pat's going to take off.

PAT SCOTT: I will just back up a little bit and go over intellectual property again.

Intellectual property, it is important actually to know that, it is kind of ironic, intellectual property does not protect your ideas. Your ideas by themselves, as good as they are, don't have any protection under the law. What has protection are different

components of those ideas or as Denise said the physical or manifestation of those ideas. The types of intellectual property that play an important role in websites are going to be trademarks and copyrights. In general, the three types of intellectual properties that we see are patents, trademarks and copyrights.

A patent is simply the right for you to exclude others from making the same invention as long as that invention is new or non-obvious. That is, you have a creation and there is a prior art with whatever the field is. That is, you create the design and you want to receive a patent you will need to show the United States Patent Office that that is a new design and that it is not obvious to somebody who is familiar with the existing art. That doesn't play too much of a role in website design.

A trademark actually is a word name, symbol or devise that identifies or associates a product or service with the source of those goods. It actually has to be related to a product or service.

So, Coca Cola is a very good example since it probably one of the most widely known trademarks. Coca-cola.com would be protectable as a federal trademark only because of the product Coca Cola. We associate that product with the company that makes Coca Cola. So if you have a name that you want to have a trademark in and a domain name, that domain name has to associate your product or your service with the source, your company.

If you want to receive or obtain a federal trademark in a domain name, or a name in general, the first thing that you will do of course is come to me and ask me, "can I get a trademark in this name?" I will say "well, I don't know, we need to do some research. What we always do is look for two things, number one is

your name or your potential trademark going to infringe on somebody's rights, and then number two is your name by itself protectable?

The way we accomplish that is we do a very comprehensive search of existing federal trademarks, pending marks, what we call common law marks, searches of state data bases, newspapers. I personally don't do this, we hire a third party searcher. Then we give you an opinion as to whether or not we think that the mark infringes somebody else's mark or whether or not by itself it is protectable.

The test for whether or not your mark or your name might infringe someone else's name is whether or not it causes a likelihood of confusion with respect to another existing federal trademark or just another trademark. So you might have the same or similar mark as somebody else in the field that may not infringe their right.

When I say "in the field" that is probably a misnomer. You might have the same name as someone or some other company that has a service or product that is entirely unrelated to yours, so if you looked at them in a vacuum, you might say "Well, these are two names that are very similar." It might not be infringing and you might be able to obtain a trademark in that particular name because it is not confusing to anybody.

For example, software has nothing to do with soda products. I wouldn't advise you calling it Coca Cola for your software company but you get the point.

QUESTION: [Our website, greaterwestchester.com](http://www.greaterwestchester.com), because West Chester appears in it, there is the borough of West Chester, there is the West Chester Business Improvement District and now there is a for

profit website called Ilovewestchester. How does that come into play through your whole process?

PAT SCOTT: I would have to look at this because West Chester is the name of municipality. The Borough of West Chester doesn't own the name or the exclusive right to use West Chester. So the Chamber of Commerce can use the name in its website without infringing. We have seen that come up in more than one instance. Now, whether or not the Borough of West Chester could keep an entity it doesn't want to have associated with West Chester, such as "I hate westchester.com," or the Borough says I would like to sue Pat Scott for coming up with this terrible website... that is an open question, but I tend to think that a municipality does not have any exclusive rights in its name. That is how it would play it in your case.

LANCE NELSON: I don't think you can, I remember that there was a young lawyer in town about 6 or 7 years ago when the Internet became popular. He registered a whole series of political websites, for example, "Rendell for president 2008". He figured that that would become a valuable website.

Well, he cannot necessarily use or usurp his name, but he can legitimately for critiquing Governor Rendell. The thought would be that the Governor, if he ran for president, would not want that website out there for somebody critiquing him. Then that website would all of a sudden obtain some value.

In response to Pat's comment, it depends on what the purpose of the page is. If you had a website Ihatewestchester.com and you critiqued West Chester, you are probably protected by political speech.

PAT SCOTT: Thus the next segue into what Denise mentioned earlier, and that is the Anti-Cyber Squatting Act. What that is an Act that was passed back on Congress in 1999. It essentially prohibits or does not allow an individual to register a domain name if that person has the intention to profit if they are acting in bad faith. I don't know how prevalent it is anymore but, of course, when the internet first started, you had a lot of people saying I'm entrepreneurial so I'm going to register IBM.com. They were thinking that I'm going to sell this to IBM for five million dollars. Congress has said that we don't want to condone that type of behavior.

DENISE WERKLEY: That was in 1999 that Congress said that. Between the time that the internet first exploded and 1999, people were selling websites left and right.

PAT SCOTT: Absolutely. What we see now are situations where it is not so clear. Those cases, where someone registers IBM.com, those cases are coming along a lot less frequently. What's coming along are situations where an individual registers their own name, they have a product and they call it say patscott.com. For obvious reasons. Then, a big company that does something that has nothing to do with legal services writes me a letter that says you are using our legal name. The question is whether or not that violates number 1, the other company's trademark rights and number two, whether that would constitute bad faith under the Anti-Cyber Squatting Act. You look to whether I, as a person who is alleged to have violated the Anti-Cyber Squatting Act, intended to profit from the use of this mark. It also has to be in bad faith with the intent to infringe on the rights of the existing

trademark rights or to profit. Now, I would have a built-in defense there because I would say my name is Pat Scott. It's my legal name. That's actually a defense under the statute. So what we have to do is look to your actual use of the name. Did you or do you have existing rights, have you been using that domain name or that or any part of that domain name for a period of time, do you have existing rights in that name, etc. What I'm finding is that it's a lot easier to defend for existing uses than it is to prosecute somebody for trading on someone else's name. These are not cases where Coca-Cola is saying "You can't register cocacola.com. What, are you crazy?" It's the cases where the mark or the names are similar. You might use, for Coca-Cola Products Company, you might use CCPC and Coca-Cola might write to you and say, hey, we use CCPC and want to use CCPC.com and you need to give up that domain name. You would then come to me and I would say, "I don't see why you need to give it up." The analysis we do is we look at the Anti-Cyber Squatting Act, its defenses and we look to see whether you had bad faith. We also look to see whether you have existing use and then we do what we have to do to create a response.

LANCE NELSON: What if Coca-Cola trademarks CCPC?

PAT SCOTT: Same analysis. I look to your use and I say, "What or how strong is their mark, what is that mark actually protecting, what are you using it for?" If you are using it for software products locally in say Pennsylvania, Maryland and the State of Delaware and CCPC is not billing it, I personally wouldn't know what CCPC is unless I did some research on it, unless Coca-Cola Products told me.

I would say, look, you're not in

the same field, Coca-Cola Products Corporation, CCPC is not a very strong mark. Coca-Cola certainly is, but CCPC isn't necessarily, so I might say, you have a lawful right to use it. That's the trademark analysis of it.

QUESTION: How does this apply to sole proprietorships? You know, the d/b/a people, doing business as? I mean, I'm assuming it applies directly. So if I'm John Smith, let's say, d/b/a ABC products, I have all of, other than what I just said, everything I'm about to say is completely factual. I have a company that I have not done any research on in terms of the name, I just sort of said, "Oh, that sounds like a good name, let's just do it." How does that...what can happen next? I'm not incorporated.

PAT SCOTT: There are two questions in there. One is, should I incorporate and have some type of legal protection for the business that I run, and the answer is yes, I think so. But the trademark analysis, that is the right to use the name, if you're doing business as a sole proprietor then you individually own the name that you're using. Forgetting for a minute whether you infringed somebody else's mark. You don't have a corporate structure set up that would own the name, it's John Smith individually that owns the name. And there's nothing wrong with that.

QUESTION: Even though my name may be John Smith...well, okay, how about John Smith d/b/a Coca-Cola Products Company? What happens then?

PAT SCOTT: Someone's going to write you a really nasty letter. Cease and desist.

QUESTION: Okay, so obviously if it's a major trademark, you can't

do that, but if it's a very small sort of something, and also if I've been doing this for years...

PAT SCOTT: Well, that's my next question. How long have you been doing it? Now, remember, we have a couple things here. Number one, it's John Smith doing business as something else. John Smith is your legal name, so you've had your legal name your whole life and you've been doing business under your legal name for a period of time, so obviously, you know, if there's John Smith Software Company out there who's registered a mark in that name, I would say, well, Mr. Smith, you've got a pretty good defense here, because your name is John Smith and it's unlikely to cause any confusion to the public because that's your actual name.

But then you get to the second component, which is the DBA part, the name that you've chosen. Same analysis, whether it's a corporation, whether it's your own individual name. Number one, does that name infringe somebody else's existing rights, and the only way you really know that is to search the federal database or to order a common law search to review and see if anybody else is using it.

And then number two, is the name itself protectable? If you've been using that name for a long time and no one's responded to you or no one's written you a letter saying cease and desist, I would say that I don't know whether you're infringing somebody else's rights, but the likelihood that you're actually doing it is slim because no one has seen fit to respond to you yet.

Now, the next question is, I'm thinking of expanding my business, now I just do it in Chester County, West Chester, Paoli, etc. I want to expand to Maryland and Delaware, or I've got a big contract and I'm going

to be doing some work in California, now you have a bigger issue.

So maybe at that point you want to come in and have somebody do a search to see whether or not you're infringing somebody else's rights, because as soon as you go out to California and you have a little shop out there in Los Angeles and you're right across the street from a national company that has the same name, now we have an issue.

PAT SCOTT: Do you have a website?

AUDIENCE: Yes.

PAT SCOTT: And do you have that name on the website?

AUDIENCE: Yes. And I have on my business checks, people write checks to me under that name.

PAT SCOTT: Have you ever done a search to see whether there are any other websites that use that name?

AUDIENCE: No.

DENISE WERKLEY: One of the things that I recommend everybody to do on a regular basis, or semi-regular basis is to just get on the Internet, take a search engine and type in the name that you're interested in for your business name or are using and see what else comes up.

You might find that your name is so prevalent out there that it's not very protectable and it's just common. But you may find that nobody else is using it, and that's great. And as I said, you have to police it so if you find two years from now, checking, that somebody else is starting to use it, it's easy to get a jump on that and, you know, ask them to stop.

Particularly if they're in the same product area.

LANCE NELSON: Denise is working with a client of mine right now who did all the right things, registered his slogan, federal trademark papers, a raised seal and the whole deal, but never policed his website. He never looked to see whether anybody else was using that name. And his trademark ran out.

Unbeknownst to him, you have to renew the trademarks every so many years. When he came in we did a search for that slogan and about thirty things came up using that slogan, none of which was his website. His website actually contained that slogan.

DENISE WERKLEY: One of which was a very large national company. His trademark has run out. So we're trying to get that reregistered.

QUESTION: In the context that you were talking with this question, when you register your name with the Pennsylvania Department of State, does that have any effect in this context?

PAT SCOTT: In terms of trademark rights? No. If the name is available from Pennsylvania Department of State, this is something we do pretty much every day. You come to me and you say, I'd like to set up a business and here's the name I want to use. And I check the Pennsylvania Department of State and that name is available, so let's register it. And frankly you may want to take trademark protection on that particular name because you are going to be doing business in the state of Maryland and other places too.

The analysis there is, number one, if the Department of State tells you that that name is available, that's all that it means. It just means that there is not

another company in the state of Pennsylvania that is registered under the same name.

It doesn't mean that there's not a company registered in Delaware with that same name, or in Maryland or anywhere else. And it's no guarantee that that name isn't confusingly similar to somebody who owns a trademark in a name that is similar to yours. So you don't get a whole lot of protection by simply relying on the availability of the name with the Pennsylvania Department of State because what a lot of times people will do is they'll find out the name isn't available in Pennsylvania and they'll just set up a corporation in the state of Delaware where the name is available and they're off to the races. But that does not protect you in any way from a claim that the use of that name infringes somebody else's rights.

And again, I should emphasize, just because somebody claims to you, "You can't use that name, because I'm using that name and you're infringing my rights," doesn't mean that it's so.

Then you have to do the whole analysis that I'm talking about which is, what are they using the name for, when did they obtain protection, when did you start using your name, and what services and products are we protecting here? Is there infringement at all?

QUESTION: I have a question about trademark. Because I've got a federal trademark and have been doing business in more than one state I can register with the federal government. What if you're just doing business in Pennsylvania and you want to protect a name or a slogan? It was my understanding that just simply by putting "TM" at the end of it, you were okay, you could get

away with it without filing anything for it.

DENISE WERKLEY: Yes, you don't even need to put the TM on it. Your use of it is enough, trademark rights are based on use.

So your use of it in Pennsylvania or whatever your geographic area is does give you some trademark rights under the common law.

They're not strong rights, and even Pennsylvania has a state registration you can register. Pennsylvania registration doesn't really give you any more rights than at common law, but you do get rights just by using it.

QUESTION: That's pretty much...I've done what I could but I mean as far as, I'm just doing business in Pennsylvania and I put the TM at the end of my business name and the end of my slogan.

QUESTION: What if I use the slogan or logo or whatever for 15 years in Pennsylvania and somebody comes along in a similar business in Arizona and tries to use a website that comes into, obviously, Pennsylvania because it's a website, what if anything should I do about it.

DENISE WERKLEY: Not much, with websites. You know, if that person in Arizona tries to register the trademark federally, they would have protection all over the United States, but it doesn't mean you have to stop using it. You have rights in Pennsylvania to continue using it. Now, you try to leave Pennsylvania with that name at this point, you may have an issue.

QUESTION: How about if you don't register anything and just the history of the fact that you use it but if you can't produce history that you've used the name or slogan or whatever for

years and years and years, does that give you less rights than if you did register?

DENISE WERKLEY: No.

Statewise, no, it doesn't give you any less rights, it is based on use. Registering in Pennsylvania really gives you no more rights than not registering. It's just an easy way for a company to show proof that they've been using it, that's why you might come and ask us to do it. Federally, you definitely get more rights by federally registering than by just using the mark. Proof is not as hard to come by as you think.

QUESTION: But I don't need to federally register if I'm not...well, okay. But if I do any business outside Pennsylvania.

DENISE WERKLEY: Any business. Even if you send marketing materials outside of your state, that's considered doing business.

LANCE NELSON: And part of the problem is, I think, until you try to register it, you don't know whether you may be infringing on somebody else's name. I mean, I don't know whether you work with this client Denise, but the guy had a company that was maybe 15 years old and had a particular slogan for his company. And it was a regional company doing business in Pennsylvania, New Jersey, Delaware and things like that.

When the Internet comes along, he wants a website and was able to get that name for the website. Turns out a company in Minnesota that does the same kind of business had already federally trademarked that name. They never knew it because they never saw his materials, but soon it was on the Internet.

A month later he got a letter saying he can't do that. So this guy has like 15 years invested in this, and he can still use it

regionally, but the problem is that business was, like, exploding over the Internet and he had to change his whole website design and name.

Another interesting example, there was a law firm that registered and started to use, presumably initials, a large law firm, invested a lot of money in the website MLB.com. Well, Major League Baseball came along and lo and behold at one point I went to get some information off their website, next thing I know it bounced me to Major League Baseball's website. So they spent a great deal advertising the website, and they had to start all over again.

PAT SCOTT: Just more followup to the question. If I'm not registered...I've not registered my mark, but I've used it for a long time. Is my failure to file for a protective trademark federally going to cause me a problem or give me any less rights? The answer, in terms of your use of the mark as we've already said, probably not because you've established fights to use it in this geographic region and you've got the right to use it because you've used it for so long. But it does give you somewhat of a disadvantage in terms of prosecuting that mark, that is, keeping somebody else from using it. If you have a federally registered trademark, you are presumed to have exclusive rights to that mark in your field nationwide, because you've established to the trademark office that you do use it in commerce, that the public recognizes the source of the goods as being your company. And it also gives you the right to triple damages and attorney's fees and injunctive relief if you sue in federal court. All very good solid remedies. If you do not register, that doesn't mean that

you can't keep somebody else from using the name, it just makes your measure of proof when you try to do it a lot harder. So yes, you've got rights to the use of it, but of course you now can prove that you indeed have used it over a period of time, I own this mark. But you don't necessarily qualify for the rights or the remedies that we provided under federal law for federally protected trademarks. But that doesn't mean you can't do it, it just makes it a little more difficult for you.

And again, it's just a business decision whether or not that's something that is so vitally important to your company, or is the name not so important as the actual service that you provide or your existing customer list or the customer networks or whatever you've created, is that more important, is that where you've focused your money.

Because it's not cheap to file lawsuits and get lawyers involved, it has to be something that's vitally important to your business.

What unfortunately happens a lot of times is that people come to us after the fact when the letter is coming in, Coca-Cola tells you in a letter it is going to sue you for the world and you've got to stop and cease and desist.

DENISE WERKLEY: It's cheaper to prevent it than to fix it.

QUESTION: I keep hearing, it seems like another line in here about you have to continue to use it. If I wanted to use, I had a marketing idea and you know, I take action now, I go and get the federal registration on it, if I just put it on the back burner, you know, yeah, I got to get a website up, I got to start marketing that product. If I go ahead and register just to capture it at that point, it sounds like if I just leave it

dormant for five years, I could have lost the whole thing.

DENISE WERKLEY: Yes. Correct. And one of the conditions of registering a mark is use, and for renewing a federal trademark which you have to do between the fifth and sixth years after you register, it is use.

You have to show that you've been using it. You send them actual labels or brochures or products which have your name on it.

So, theoretically if you do enough to get the registration then you let it sit for four years, as long as you start using it again before you renew you can renew.

There are some representations you make at the renewal so you have to tell them. They might never know, but if you haven't been using it, it's not going to be hard for them to tell.

QUESTION: So use it or lose it?

DENISE WERKLEY: Yes.

PAT SCOTT: Also, you might lose it if other people use it and you don't do anything about it. One of the good examples is Kleenex tissues. Kleenex is not a type of a tissue, it's a trademark that a company came up with. So we're going to make this tissue, we're going to call it Kleenex.

Well, everybody in the world now has called that Kleenex, and the question is, the company that originally had the mark, do they still own it? No, because it's now a Kleenex. It's a generic name, it's not fanciful or arbitrary and it doesn't automatically associate the actual product with the source of the goods, because it's just become descriptive of what the product really is. And that's when we look at the mark to see if it is protectable – it can't simply describe what the product is. It has to be arbitrary or suggestive in some way so that somebody has

to actually think, wait a minute, there's a company behind this thing.

That's another reason that you want to get out there and, number one, use it, use it in the right way, and number two, police it and make sure that nobody else is using it so that there's no claim later on when you do want to start ramping up your business and using it, that you've either abandoned it or you haven't done what you need to do to protect it and somebody has somehow acquired some right to use it in their market.

QUESTION: So you're saying I should go back to the office and do a Google search and somehow document that we had a committee review it and we didn't find anything, so we should have some record showing how we have policed it? I mean, is there, what's the documentation?

DENISE WERKLEY: I don't think you need to necessarily have a committee meeting, but if you want to print off the website and you can take notations on it, handwritten notations, things like that it shows that you've been looking on a regular basis, that you've thought about and made considerations about whether this is something that you feel is a use of the mark that you're not going to worry about and the reasons why you're not going to. For example, they're only selling books to the people in Chester County, it's not in my product area.

QUESTION: So if we brought you a file folder and said here, I checked it, like, 2000, 2001, 2002, each year, I've looked at this, that would give you the tools you need to better defend it.

DENISE WERKLEY: Yes. It would help.

Another area to consider when talking about where you can use the trademark or where you have protection is to remember that by putting up a website, you're not necessarily just doing business in Pennsylvania any longer.

A website is oftentimes for the trademark office enough to show that you're doing business and trying to market to other states. It can also cause problems if you should get sued. When you try to put up a website and say that you only want to be doing business in Pennsylvania.

You can often be sued in lots of different places, lots of different states you've never been to or thought about, even countries that you've never been to or thought about by just putting up a website. The courts look at the type of activities that happen on the website, if it's just informational, you're pretty safe just only getting sued in Pennsylvania. People can't try to sue in Oregon. If you have the collect information, kind of website, you collect information from people, it's a little bit more iffy. It depends on who you're targeting, and what you collect from the website. Then there's also the doing business type of website, where you're actually doing business all over the place, you accept orders from anywhere, and then, you know, you're putting yourself out there in every single state. So you need to be aware when you put up a website of the kind of website that you're interested in working with, and the risks.

PAT SCOTT: The legal standard, if you're, there's a suit filed against your company in the state of Minnesota, the legal standard's going to be, are there sufficient contacts between your company and the state of Minnesota that

would allow the court to assume jurisdiction over your company there. And I think the answer is, if you're selling to Minnesota residents, you have to look to Minnesota law to see whether that would be sufficient to, or contact the state of Minnesota, but I'm going to tell you, I think it is. So if you're selling products over the Internet, doing business with residents of all states, you know, there's a good chance that you're actually doing business in that particular state. Which kind of leads into other tax issues and things like that you want to be aware of.

QUESTION: If you don't sell products over the Internet, how does that change, what you just said?

PAT SCOTT: Like Denise said, you want to watch the type of business you're actually doing, whether the website's informational, if you just have a...I mean, if you put up a website, people in China can look at your website. That doesn't mean you're doing business over there.

So if it's just up there and you're not selling any products, you're just, it's advertising, for example, you're most likely not doing business outside the state of Pennsylvania. And that kind of leads into trademark issues too, because then you come to me and you're like, could I get a trademark in the name of my website, and I find that there might be...I wouldn't know whether there are companies elsewhere that have this mark, etc. In order to obtain a federally protected trademark you have to do business in commerce, meaning interstate.

So I might say to you, well, you have a website, but do you actually do anything outside of Chester County or outside of the state of Pennsylvania? And the answer is, no, it's just advertising.

Then I would say, I don't you're doing business outside of PA, for purposes of getting sued or federal trademark registration.

DENISE WERKLEY: And on the converse, if you have a website and you try to say, oh, I'm only doing business in Pennsylvania, for my website purposes, and somebody who's trying to sue me in Minnesota cannot do that because I'm not doing business in Minnesota, and you have or are applying for a federally registered trademark based on website use, you're going to have a difficult time.

QUESTION: One of the issues that brought us out there is the Internet sale. Is it classified as a transaction that happens online, that you're plugging your VISA number into the system, or is the Internet sale when you fill in the order form that's faxed to you or forwarded to you and then you make the transaction within your office in Pennsylvania? Is there any clarification on that?

DENISE WERKLEY: You're talking about...you're business is in Pennsylvania and you have them fax the order to you from somewhere, is that only doing business in PA?

QUESTION: Correct?

DENISE WERKLEY: Not necessarily, because you're still working with people from Minnesota, you're still doing business with Minnesota.

PAT SCOTT: But, there is a bigger question before that. It involves, for example, sales tax issues. You have your website here in Chester County and you're going to sell to a California resident. The question is, well, where did that sale happen? Did it happen while I was here? Did it happen in

California? Did it happen, you know, out in space somewhere? What taxes to collect is an issue.

QUESTION: What's actually happening is, you have a building and these websites that people are selling things on, but it's really, we can't do anything about it because the transaction actually did take, it was a fulfillment form that was online, it wasn't a, the receipt form online.

DENISE WERKLEY: Semantics. The type of form. . . And the reason that this area is so interesting is because there is almost no set law regarding these issues, so everything changes all the time.

So you'll find a court that'll say it's not doing business here because it's only a receipt form, and you'll find a court that'll say it was doing business there because it was a receipt form. And so...

PAT SCOTT: The legal answer to your question is --- it varies state by state, whatever the state says it is, is what it is.

So the state of Pennsylvania might have a different rule that the state of Maryland or wherever else you go. And then that's what becomes the issue with the Internet and the federal government trying to take control over, for example, sales tax issues, which are traditionally state issues.

The Federal government is saying, look, we need to come up with some type of guidance for business owners across the country who are going to do business over the Internet.

Take sales tax for example, we need to come up with a set rule or a set system of rules, and as far as I'm aware, I haven't researched the issue lately, but as far as I'm aware there's been no agreement. Probably it's because the Congress

people from every state have their own view on what they want to do, and nobody can reach a consensus on what should happen. And that's what the status of the law was a year or two ago, when I looked at it. I don't know what it is right now.

LANCE NELSON: Beyond sales tax, too, there's income tax issues. So you have a company...so that's not a big deal for me, I'm a service company, so I don't have to charge sales tax, but income taxes may be due.

I had lunch with a lady six or so months ago, and she was all excited about how her business has really expanded, they are doing some business for people in Virginia and Maryland and that's Denise's area, so I asked her, "How are you handling the income tax issues?" And she got this very blank look on her face like, "I didn't realize there were any income tax issues." So there's pluses and minuses of your business expanding on the Internet.

But there are these issues that you have to be aware of, especially now with the Internet. It's a lot easier for states to police things. Five, six, seven years ago everybody was getting those notices from Philadelphia. If you put an ad in the yellow pages in Philadelphia, Philadelphia would audit you to see if you derived any revenue from Philadelphia. For example, we have to keep track of revenues that come from Philadelphia. We represent somebody that lives in Chester County, pays us in Chester County, but we actually go to Philadelphia for a court appearance. Philadelphia looks at it like, well, you spent four hours in Philadelphia, and charged these people a thousand dollars, they want income tax on it.

QUESTION: So beware where you do business?

LANCE NELSON: Right. And that's sort of expanded exponentially now that you have the Internet. It's a lot easier for states' taxing authorities to police that issue.

DENISE WERKLEY: I think that we're about out of time. So, are there any other questions? I think we're going to hang around a few minutes.

QUESTION: You see lots of pages with buttons for the privacy statements that they've got, is there a standard issue there, or is it just pretty much, okay, look around and you can copy one for your website?

DENISE WERKLEY: There are websites where you can get a privacy policy. I don't recommend that you do that because it needs to be tailored to what you're actually doing. Because a privacy policy can be used against you. Your privacy policy needs to be very careful that it only says exactly what it is that you're going.

If you take people's personal information and you're going to sell it to the world, it has to say that. It doesn't matter if that's what you're going to do, that's fine, but it needs to say that.

And you don't need a privacy policy unless you're actually collecting some kind of information from people or collecting cookie information, back-end stuff that people don't see.

If you're basically putting a brochure up on the Internet, there's not necessarily a need to have a privacy policy. But I suggest that you have it tailored specifically to what it is that you're collecting, because they can be used against you. People do look at them.

TIM PHELPS: Well, thank you very much for coming today.

I hope this time has shed some light on some of the technology issues your business faces.

It was last year in *Main Line Today* magazine that two of the MacElree Harvey attorneys were selected as the Best Lawyers on the Main Line.

Thank you for joining us today.

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COPYRIGHT

What does a copyright protect?

Copyright provides protection to an author of an original work. Copyrightable items include literary, dramatic, musical, artistic, and certain other intellectual works. The protection is available whether you publish your item or not. The owner of copyright has the exclusive right to do and to authorize others to reproduce, display, copy, perform and prepare derivative works based upon the work.

Do I have to register my works to get a copyright?

No. Copyright protection attaches immediately from the time the work is created in a "fixed medium". Only the author or a person or entity deriving rights from the author can claim copyright.

What specific items are copyrightable?

The following categories of items are copyrightable. These items should be construed very broadly (i.e. computer programs may be literary works, etc.).

- literary works;
- musical works, including any accompanying words
- dramatic works, including any accompanying music
- pantomimes and choreographic works
- pictorial, graphic, and sculptural works
- motion pictures and other audiovisual works
- sound recordings
- architectural works

How long is a copyright valid?

An item that is created on or after January 1, 1978, is automatically protected from the moment of its creation and last until the author dies plus 70 years.

What does the © mean?

The © symbol is generally the standard identifying mark of a copyright notice. In the United States, the term "Copyright" may now be used in lieu of the copyright symbol ©. However, the symbol is required in many foreign countries in order for copyright protection to attach. It is recommended you continue to use both.

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TRADEMARKS

What is a trademark?

A trademark is any word, phrase, logo, slogan, symbol or design, or a combination of those that identifies and distinguishes the source of the goods or services.

What are the different types of trademark protection?

Federal Registration. Federal registration with the United States Patent and Trademark Office grants exclusive right to use the mark in connection with particular goods or services throughout the United States.

State Registration. In Pennsylvania, and other states, you are allowed to register a trademark in order to protect rights within that state. Generally everyone who files for protection, by sending the required documents and a fee is granted state registration. This registration is often used to show evidence of your use of the mark in a particular geographic area.

Common Law Protection. Rights in a mark may be established just by use of the mark in a particular manner, in a particular geographic area, in connection with a particular product or service. While common law rights in your mark may be present they are often difficult to prove and not nearly as strong as state or federal registration.

Do I have to register my trademark with the federal government?

No, trademark rights accrue to the owner of the mark based on the use of a mark. Federal trademark registration does give notice of someone's rights in the mark and it is evidence of ownership of the mark. It also allows the owner to invoke the jurisdiction of the federal courts. If you plan on doing business in other countries, federal registration can serve as the basis for registration in foreign countries.

How long does it take to get a federal trademark?

Trademark applications undergo a lengthy examination, which often results in an application process that can take upwards of 12-18 months from the filing date.

How long does federal registration last?

Trademark registrations have a term of ten years which may be renewed for successive ten year periods. A mark owner is required to submit certain renewal forms and applications at varying times during the ownership, not just at the end of each the 10-year period.

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