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News & Types: Client Advisories

Protecting Your Intellectual Property: What the Court Expects From Your Company

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Practices: Litigation

“Courtroom victories” in commercial litigation require the company bringing the lawsuit (the “Plaintiff”) to overcome many factual and legal hurdles. A lawsuit filed to protect a company’s intellectual property rights from infringement by other companies, however, also presents a unique and important obligation the Plaintiff must satisfy: You will have to convince the court that your company took reasonable and timely actions to safeguard its intellectual property (“IP”).

In other words, U.S. courts won’t help a company protect its IP rights if the company itself has failed to take reasonable and customary steps to protect that IP. This means that IP litigation is often won or lost long before a lawsuit is filed. Winning a lawsuit to protect your IP from infringement by other companies requires that you establish practices and policies **today** that will, in fact, show the world – and a court – that you place a high value on your IP and that you have taken the necessary steps to protect it.

There are basically four categories of commercial IP:

- **Trademarks;**
- **Materials protected by copyright laws;**
- **Trade secrets; and**
- **Patents**

We’ll skip patents for the purpose of this brief article, as the rules that apply to the enforcement of patents are quite different from the rules that apply to the protection of the other three IP categories.

Policing Your Trademarks. You probably know that both common-law and registered trademarks are the words, phrases, symbols, and images used to help the public identify your company’s products or services. An easily recognizable trademark can be worth millions of dollars, as it instantly conveys to your customers the products you sell or services you offer and effortlessly reminds them of your reputation in the industry and the level of quality they can expect from your products and services.

But if you want a court to stop another company from using your trademark or something deceptively close to your trademark, then you will have to monitor the unauthorized use of your trademark and actively stop companies from such use without your permission. This even includes preventing distributors, sales reps, and other “friendly” sales agents from using your trademarks in connection with their sale of your products unless

you have given them express authorization (or a license) to use your trademarks in their marketing materials. Courts generally don't look favorably on companies that have a history of ignoring some unauthorized use of their trademarks, but now ask the court to stop a specific infringer.

Protecting Your Copyrighted Materials. Companies often miss the opportunity to protect important product information and product descriptions by failing to recognize and enforce their "copyright" in such materials. While we usually think of books, movies, and video games when we think of materials that are protected by a copyright, in business, "copyrighted" materials can include original product descriptions of your products or services, photos or drawings of those products the company has paid for, detailed installation manuals, and even product names if the name is creative and non-descriptive. You don't have to register your "original works of authorship" with the U.S. Patent and Trademark Office (the "USPTO") in order to hold a copyright in those materials. But copyright registration does permit the owner the right to recover additional damages and attorney's fees for copyright violations. Again, courts will be less likely to recognize a copyright infringement claim if the copyright holder was lax in the enforcement of their copyright. Consequently, the consistent enforcement of your copyright in original company materials against all infringers, large and small, is essential to a lawsuit brought to enforce this right in the courtroom.

Protecting Your Trade Secrets. Safeguarding your trade secrets requires an even greater effort than the policing action required for your trademarks and copyrighted materials. This is because trademarks and copyrighted materials are intended to be openly-distributed – you want the world to see these items and be influenced by them. Trade secrets, on the other hand, generally consist of confidential business information you want to prevent the general public (especially your competitors) from seeing. Trade secrets often include marketing plans, pricing information and pricing formulas, new product-designs, production methods, customer profiles, and, in limited instances, supplier information.

The definition of a trade secret varies from state-to-state, and courts in the U.S. are not consistent in their determination of what constitutes a legitimate trade secret. For example, many courts have held that pricing information can't be a trade secret since prospective customers are regularly provided price quotes without first being asked to sign a non-disclosure agreement (an "NDA"). Therefore, some courts have concluded that pricing information – though crucial to a company's sales strategy – can't qualify as a trade secret since it is openly shared with customers and prospective customers.

But nearly all U.S. courts agree on one important point – your company will not be entitled to claim confidential information as a trade secret unless the company has established a clear policy directed at limiting access to your confidential information and has set this policy into rigorous practice. This means that every reasonable effort should be made to limit confidential information to only those employees and agents who require it to perform their job duties. This means not just marking confidential materials as "Confidential, not for general circulation" and requiring passwords to access such confidential information, but also limiting access to computer files and drives, so that confidential information is not accessible to all employees or departments. So, for example, the annual marketing plan is kept on a secure drive only accessible to the sales department, while product development plans are maintained on a separate secure drive to which only members of the engineering department have access.

When it comes to protecting your company's IP, you need to make sure you are in the best position possible to ask the court to stop infringers and violators from damaging your company and its reputation. To do this, you need to put into place today a practical and effective plan for enforcing your IP rights.

For more information on protecting your company's intellectual property, please register to attend the Firm's in-person seminar scheduled for October 20, 2022, in Novi, Michigan. Two separate sessions of the seminar will be conducted on October 20th. The morning session will be conducted in English and the afternoon session will be conducted in Japanese. Contact Ed Underhill or Jiwon Yhee for more information.