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Fox Rothschild Podcast

Legally EmpowHERed Podcast

Episode Seven

Featuring Partner Sahara Pynes with Patricia M. Flanagan

Sahara Pynes: Today, I'm thrilled to welcome Patricia Flanagan to Legally EmpowHERed. Co-chair of Fox's Trademarks Practice Group, Patricia assists emerging companies in protecting their U.S. intellectual property rights. She serves as a strategic ally to her clients, helping them to develop business methods that cultivate and protect intellectual property assets through trademark and copyright registrations, trade secrets, licensing, publicity, digital media and internet related content. Through her robust trademark practice, she regularly counsels clients on worldwide brand management strategies, clearance and registration of trademarks and service marks, a range of policing and enforcement issues, including when necessary, handling trademark infringement and unfair competition cases, taking them to trial if necessary, and so much more.

Welcome, Patricia. I'm so excited to have you join me today.

Patricia Flanagan: Lovely to be here.

Sahara Pynes: Let's jump right in. My trademark and patent classes way, way back in law school were some of my favorite classes. I just found them so interesting. I think I need a little bit of a refresher because it's been a hot minute. Can you tell me the difference between trademarks, copyrights and patents?

Patricia Flanagan: Trademarks, copyrights and patents are categories that fall under the general umbrella of intellectual property. A trademark is going to focus on a name or a symbol that identifies the goods or services. It's going to distinguish your goods from the goods and services of others, and it indicates you as the source of the goods. The general purpose of trademark law is a bit different than the other categories of intellectual property. It's really going to focus on protecting consumers from confusion in the marketplace.

Sahara Pynes: So, trademarks—Nike's swoosh, Just Do It. Are those trademarks?

Patricia Flanagan: Absolutely, yes.

Sahara Pynes: OK, cool. So, copyrights?

Patricia Flanagan: Copyright is really going to protect content. Those are the artistic, literary and intellectually created works, such as novels, music, software coding even, or paintings. They have to be original to be protected by copyright, and they have to exist in a tangible medium. Very low threshold for protectability, with respect to copyright. Movies, books, artwork, fall into this category.

Sahara Pynes: Hmm. NFTs? Copyrightable?

Patricia Flanagan: Still up for debate. Those are cutting edge.

Sahara Pynes: OK, we'll get into that later.

Patricia Flanagan: The third category of patents, that covers technical invention, chemical compositions, drugs, mechanical processes. They have to be new, unique and usable to fit into this category. It's a bit different than the other categories based upon the purpose that underlies it. When it comes to patents, as an inventor, you're trading disclosure of your invention for a temporary monopoly, which is quite a different purpose than protecting consumers like the trademark, or with respect to the copyright you're really trying to generate more creators, giving reasons for people to create new content because they're going to be able to be the authors of that content and generate income from it.

Sahara Pynes: Super helpful. Let's backup to starting a new business. What are the first steps an entrepreneur should be taking when they just have their concept for their business?

Patricia Flanagan: Sure, so there are going to be a lot of things that I'm sure the starters of a new company are going to be thinking about. From an IP perspective, there are a number of important things that should be done at the outset. First, how are people going to find you? How are they going to identify you? How are you going to identify your products and services so that people can distinguish them from others? So, you're going to come up with that name, or names, for your product. A couple of things to think about when coming up with that name—originality. Very difficult these days. You think you come up with an original ideal and you do a Google search and you see someone else already had that particular idea of that name connected with maybe similar goods and services. So, is it original?

The next thing maybe, consider the strength of the trademark. This can be a little bit tricky, if you haven't heard this before, but the strength of a name in terms of the trademark sense is really determined by how closely the word or the phrase is connected with that product or service. The more connected with the product, the less strength it will have. This is really because the competitors have to be able to identify what their good or service is and describe their product or service, so you can't prevent them from using something that is descriptive. So, the more connected and more descriptive it is, the less protectable it is going to be.

Sahara Pynes: So, "Sahara's Computer Services," not particularly strong, except for the fact that I have a unique name?

Patricia Flanagan: Yep, absolutely. The phrase there, and names are actually considered descriptive also. So, if you use your name in your business, despite it being very unique, it is going to be considered descriptive and therefore not as strong of a mark as it might otherwise be. The flip side of that is that the stronger name is going to be one that has nothing to do with the products or services. Marketing folks may not like that as much, because you don't necessarily know what the product is when you're buying it—an example being Apple in connection with computers. Until Apple came along there was no connection between the word Apple and a computer.

Sahara Pynes: Right, right. So, to follow up on the originality portion of it—if I go, let's say on Instagram, and I'm looking for a new business name and I'm searching, I have seen a million Instagram accounts where there is nothing happening with them, but someone has claimed the name. Even when I was looking at names for this podcast, there were a lot of names that we were considering that had been sort of taken on Instagram, but yet nobody appears to be doing anything with them. I know Instagram isn't sort of the best way of doing that, but how do you really know if it's original if a name is taken or being used for something?

Patricia Flanagan: Well, I definitely have seen that happen and gone on and seen a number of similar names. It's a misnomer to say that as a trademark owner that you own the word. You don't actually own the word and can stop anyone from using it anywhere. What you own is that particular name in connection with the goods and services that you're using it with. So, likely if you were to dig into these different uses, they wouldn't all be in connection with the same, or similar, or even complementary, goods and services. That's really where the focus is. When you're looking at the marketplace, you have to see how the mark is being used in connection with what goods and services. Where is it being used? Really understand what that commercial activity looks like. That is how the trademark rights themselves are proved.

Sahara Pynes: OK, so it doesn't necessarily matter that the podcast is called "Legally EmpowHERed," and there might be a Legally Empowered legal services consulting business or something. I don't know if that's true, but just as an example.

Patricia Flanagan: Right. The question when it comes to trademark law is always going to be whether a costumer would be likely to be confused by the two uses.

Sahara Pynes: OK, that makes sense. What about founders who have already come up with a name and then they realize that somebody else has a trademark. What do they do then?

Patricia Flanagan: The first thing I would say is that if you come across a name that you think is the same or very similar to the one that you like—you've selected this name, you're going to put it on your products, or put it in your advertising—is it really going to be a conflicting or blocking mark, or use? Is it a registration? If it's a registration that you have come across and someone has actually registered that brand federally, what goods and services is it registered in connection with? I think the first step is really to understand what you're looking at. So, is it actually being used, or is it a dormant website that you've come across that shows this particular use? If it's a registration, digging in to see whether or not they're actually still using that trademark. Maybe it's just a registration that hasn't gone abandoned yet. If you actually have used the trademark in commerce for a while, you also want to look to see whether you might have priority, meaning that you started using your name before the one that you came across. All of these things kind of weigh into the next step.

If you didn't come first, if it is in connection with similar goods and services and it is either identical or very similar to the overall commercial impression of the name that they're using, then I would say you're going to have to start the conversation of how can we change or modify this particular name so that there is not a ton of potential for confusion in the marketplace. The nature of that change really depends. So, if it's very unique and there is not a lot of use of that particular name in the marketplace, that will weigh into the determination of how much change has to happen. Maybe we have to have an entire shift to a new mark that is very different from the one that was chosen to begin with. If there is a lot of usage in the marketplace of maybe different components of the trademark and they're not exactly the same, then maybe it's just a small change that is needed because consumers would be trained in the marketplace to identify and distinguish between the trademarks, even though there are just little differences between them.

Sahara Pynes: Do you find that you as an IP attorney uncover these issues before your clients do, or is it generally that a competitor will come after a client and say "hey, I'm using this name or mark and you can't use it?"

Patricia Flanagan: As a general matter, I talk with my clients at length about the marketplace before they adopt a new name. If they've been talking to me for a while, it's likely we have done some searching and clearing of the names that they have liked and I've given them the greenlight to go ahead with those in terms of both the registrations and common law usage that might be in the marketplace. We can run searches and to do that, and to get names before they move forward and invest a lot of money in the new name, we tend to do that. For people that I have not been working with in advance, I do have people who come to me "I received this letter, what do I do?" and there are a few options at that time once we receive the letter, going through some of the same general strategy that we talked about a moment ago—is this a blocking use, do we think there is a likelihood of confusion? What should we do here really depends upon the analysis of the marketplace.

Sahara Pynes: Yeah, I get it. Somebody might not want to change their name, and they might be willing to go ahead and take the risk, right?

Patricia Flanagan: Right, and there might be good arguments for the fact that there is no likelihood of confusion—all things that have to be looked at. In a lot of cases, there can be some back and forth, or some narrowing, if registrations are involved. Maybe it's just an amendment to the goods identification. When you're registering a trademark, it's specific to goods and services, so maybe it's just some changes to the wording that makes the party more comfortable that there would be no confusion. Maybe the parties can co-exist in the marketplace, maybe they enter into an agreement to co-exist in different marketplaces, or different streams of commerce where there will be no likelihood of confusion. So, there are a number of different ways that it can go after receiving a demand letter.

Sahara Pynes: At what point in the process do you recommend the actual registration?

Patricia Flanagan: As soon as possible. As soon as you identify that name and you do the searching—whether it's going to be basic searching at the trademark office, some Google searching, or whether you're going to engage counsel to do a full clearance search—as soon as you know the term you're going to proceed with, I would file an application. If it comes after incorporation, that's great, or formation of your company, you can include the company name as the owner, which would be proper. If not, as long as you have use-based application, it can be signed over to the entity after the fact. As soon as possible, you get those priority rights nationwide and the additional protection provided by the federal registration.

Sahara Pynes: Let's talk about non-disclosure agreements. When I talk to entrepreneurs, one of the first things they are always looking for are non-disclosure agreements. When do you need them, and who do you need them for?

Patricia Flanagan: Non-disclosure agreements are really going to come into play any time there is valuable information. If you feel that some of the information in the startup is going to be valuable, that there are some benefits you are gaining over your competitors, non-disclosure agreements are going to come into play. That type of information can include anything from financial information, technical, supply chain, who your suppliers are and their contact information, who your vendors are, your customer list. Every time you are dealing with these sorts of things, a non-disclosure agreement is a great place to start.

I think the second part of your question was who do you need them for—these would apply to your employees, independent contractors, vendors, anyone who will have access to this sort of information when you are getting off the ground. It's really to pass over something like this in getting it in place, a lot of people aren't thinking of it as top of mind, but for some missing this is crucial, particularly in terms of if you later want to say this is a trade secret of the company. If

you are ultimately successful it is important to have those agreements in place from the beginning.

Sahara Pynes: Right and that is an important point because I sometimes see a non-disclosure agreement that maybe was put together for a financing pitch, or a potential partnership, that doesn't have the same information you might need for employees or independent contractors, right?

Patricia Flanagan: Absolutely. It is going to be important that that includes and lists out and will cover the information that you think is valuable to the startup.

Sahara Pynes: Yeah, and I also sometimes see confusion over the terms Non-Disclosure, NDA, vs. confidentiality agreement and then inventions and assignment agreements. Sometimes they're called non-disclosure inventions and assignment agreements, or proprietary information assignment agreements, all these different terms. They don't all mean the same thing, right?

Patricia Flanagan: That's true. In today's day and age, I think Non-Disclosure Agreement and confidentiality agreement are used generally interchangeable. That's what I've seen at least in my practice. I know that some people use confidentiality agreement to indicate a higher level, that there are some terms that are being agreed to, maybe different levels of the maintenance of the information. Sometimes I think people refer to confidentiality agreement to infer that it's mutual vs. one way. So, if you sign a non-disclosure agreement maybe it's one person that is agreeing not to disclose vs. if it's confidential maybe there is a mutual agreement that both sides are providing information, or both sides are brining information to the table that is valuable to them. That is how I've seen it. When you use the term inventions and assignment, that does go quite a bit further. That is going to also include confidential terms relating to information, but also that means there is going to be some designation of ownership that is being transferred in that document—whether it's inventions that are being worked on, if there is some technical or some software involved in the work they're doing it is then going to be assigned likely by the title of the document to the company, or perhaps there is an assignment of the content that is being created for the company.

Sahara Pynes: Right, so when you have employees in early stages of startups, or contractors, they may not have a completely defined scope of what they are doing or creating for the company, so I think the inventions and assignments language really becomes paramount, even potentially more so than the confidentiality because there are some benchmarks for confidentiality of trade secrets anyway without an agreement, right? But you need that assignment language because that determines who will own the work that these people are creating.

Patricia Flanagan: Absolutely. It's very important to make sure that there is a written agreement that talks about ownership, and that it is clear who is going to be owning whatever it is that is being created whether it is content or some type of technical work that is being done.

Sahara Pynes: Did I get that right that there is trade secret protection even if somebody, let's say, forgot to have somebody sign an NDA? Or they really need to do that as a first step before talking to anybody in order to ensure trade secrets are adequately protected?

Patricia Flanagan: There is always going to be a little bit of grey area. I wouldn't want to say that you can't protect a trade secret if you didn't have the agreement in place from the beginning. I would say we would have to take a look the particular scenario to see whether or not trade secrets are out the door, literally and figuratively. But always best case to have the written document ahead of time.

Sahara Pynes: Ok, that makes absolute sense, best practice. What about contractors? People who might come in for a week at a time writing code. How do we make sure we protect that information?

Patricia Flanagan: Again, it's going to be by written agreements. Very important with independent contractors to have a written document talking about ownership of intellectual property for the work they have their hands in. I think there is a general thought that just because they are doing work for the company that the company is going to own what it is they are working on or creating, but that is generally not going to be the case. There is no work for hire for independent contractors unless they actually sign a written agreement to that effect. If you don't have that contract in place, the independent contractor is going to be owning the content that have created for you, or the inventions they have created. Very important, and different than an employee. There is a work for hire when it comes to an employee, that is where it's derived from, so long as it is within the scope of work then it will be owned by the company.

Sahara Pynes: So, do you just put work for hire language in your agreement, or email with your independent contractor if that is how you're handling it? Is that enough?

Patricia Flanagan: No, it's not going to be enough. When you include that work for hire language, you also want to include an assignment provision. At least within copyright, there are very specific rules about when a work for hire will transfer that authorship immediately to the company or not. You want to say, this is a work for hire, but if it's not then I hereby assign any and all rights to the company. Just belt and suspenders, make sure that at the end of the day if it is found not to be a work for hire that you do have at least those rights as of the time of the assignment to the company.

Sahara Pynes: Right, and the difference between the assignment and the copyright, if I recall correctly, is the length of time that the company would own it, right? Am I remembering that correctly?

Patricia Flanagan: That is true. The doctrine affects who is the original author. Under the work for hire, if an employee creates some artwork or design for the website, if they are an employee within the scope of their employment, that author is going to be the company and not them individually. If there is an assignment, they are the author or the original owner, and the assignment would transfer that ownership over to the company.

Sahara Pynes: For a period of time? Or forever?

Patricia Flanagan: Right. For a period of time. There are some technical rules that provide for termination.

Sahara Pynes: OK, great. I just want to mention for our California listeners that independent contractor agreements that have work for hire language are a little bit tricky because under California's unemployment insurance code, it says that anyone who has work for hire language in their employment contract or contractor agreement is going to be considered an employee for purposes of collecting unemployment insurance, which of course is one of the reasons that people would want to be classified as an independent contractor to avoid paying payroll taxes and unemployment. When you put that work for hire language into an independent contractor agreement, it sort of negates that. So it's a little bit of a tricky issue and we generally just use that assignment language rather than the work for hire language for our California contractors.

Patricia Flanagan: Interesting. That seems like the right move.

Sahara Pynes: Yeah, I haven't seen it litigated from an IP perspective yet in terms of protecting information but it is sort of this little nuance, as there are many, in California, and wanted ot make sure we didn't overlook that since I am LA-based.

Tell me, what other pieces of advice do you have for our entrepreneurs that are listening?

Patricia Flanagan: I think I said it earlier, but file for trademark protection as early as possible, as soon as you make the decision and know what you're going to be doing, get that on file. Also, maintain your records, particularly if you file an intent to use application, and you have not yet used the mark in commerce. Maintain those records showing that you were ramping up to launch, in case that becomes an issue down the line. Maintain records of your first use, when you first launch your new line, whether it's goods or services, maintain some documents that have those dates on them in case anyone ever disputes that later on. Do it for each category of expansion later, so if you launch a new product maintain those records also. Give some thought

about who you are working with, your products and the information important to your business, and delving down on those issues will help you put together those written agreements that you have in place. If you don't have information you don't need the agreements, but likely there is protectable and valuable information you are going to be putting together and coming up with that you want to protect and keep from others. Clarify the IP ownership in your contracts. Make sure that you get it written down so you don't have to go back for it later on when you want to speak with an attorney, and then the next step would be to make sure there are licenses in place to protect your brand and your quality with those you're working with.

Sahara Pynes: Absolutely. All those are super important. Thank you so much, Patricia, for joining me on this episode of Legally EmpowHERed. You have such a wealth of intellectual property experience and knowledge, and I know I'll be calling you for different client information, but I also know that our startups and entrepreneurs will be listening and taking your advice. Thank you so much for being here.

Patricia Flanagan: Thank you so much for having me.