

Yours, Mine and Ours: What You Need to Know About IP

A GC roundtable discussion shows that ignorance is not bliss when it comes to patents, trademarks and copyrights

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This summer, an employee of the Coca-Cola Co. made news when she -- along with two others -- allegedly attempted to steal trade secrets from Coke and sell them to PepsiCo Inc. It's not every day that a company goes public when someone tries to loot its intellectual property, but Coke's decision to do so garnered national attention and illustrates the deservedly high value companies place on their intellectual assets.

When it comes to safeguarding your company's intellectual property, what you don't know can hurt you. To ease that (potential) pain, *GC South* asked several Atlanta-area attorneys to talk about what every in-house counsel needs to know about intellectual property. The panel's wide-ranging discussion covered cybersquatting, assignment of rights -- and one IP lawyer's adaptation of comedian Jeff Foxworthy's "You might be a redneck" monologue as a means to help identify patent trolls.

Our panelists were Michael J. Kline, senior litigation counsel-intellectual property for The Coca-Cola Co.; Frank A. Landgraff, senior intellectual property counsel at GE Energy; J. Rodgers Lunsford III, an intellectual property and litigation partner with Smith, Gambrell & Russell, whose firm sponsored the event; and Bruce B. Siegal, senior vice president and general counsel of The Collegiate Licensing Co. Kent B. Alexander, senior vice president and general counsel of Emory University, moderated the discussion, which has been edited for clarity and brevity.

Alexander: Let's start with some basic definitions of intellectual property law.

Lunsford: Patents protect ideas, copyrights protect the expression of ideas and trademarks are symbols which identify goods and distinguish them from goods manufactured by others.

Picture a Coca-Cola bottle and think about all of the intellectual property rights it embodies. The bottle could be patented as an article of manufacture or produced by patentable process. The ornamental design could be protected by design patent. The bottle also could be the subject matter of a copyright. The three-dimensional aspect could be a sculptural work.

The Coke bottle is one of the most famous badges of identification. It is a registered trademark, and was only the second container ever registered in the U.S. Patent and Trademark office. I know that because my father registered it.

Finally, the contents of this bottle, particularly ingredient X7, are a trade secret kept in the vault of SunTrust Bank in downtown Atlanta. So that's an overview of at least four different types of intellectual property embodied in just this one bottle.

Alexander: The ways in which intellectual property can be protected are changing. Let's talk about the *eBay v. MercExchange* patent case that the U.S. Supreme Court decided 9-0 in May.

Lunsford: Most of us believed, until this decision came out, that if one owned a patent and could prove it had been infringed, the infringer would be enjoined from the infringing activity.

Because of this decision, that's not necessarily the case anymore. The court held that the traditional four-factor injunction test -- Is there an irreparable injury? Is there an adequate remedy at law? Does the injunction serve the public good? When you balance the equities of granting versus denying the injunction, does that balancing test tip in favor of one party or the other? -- is the test to be applied not only in all injunction cases but also to injunctions that are granted under the patent statute.

There are two concurring opinions. One was written by Chief Justice John Roberts, who was joined by Justices Antonin Scalia and Ruth Bader Ginsburg -- strange bedfellows. Justice Anthony Kennedy also wrote a concurring opinion, which may not be good news for patent trolls. It indicates that business-method patents may not be entitled to the scope of protection one would expect.

Kennedy wrote: "[T]rial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but instead primarily for obtaining licensing fees."

Trolls beware.

Interestingly, the court is sending this back to the district court without instructions on how to proceed in granting or denying injunctions other than applying the traditional test.

Alexander: I think this will be an important decision. For those of you who aren't familiar with it, it has to do with the patented buy-now technology, like on eBay, when you click "buy now."

Let's talk about the definition of "trolling."

Kline: Defining patent trolls reminds me of how comedian Jeff Foxworthy defines what it means to be a redneck. For example, you might be a patent troll if: You make no products and you sell no services; your only employees are patent lawyers; and you actually like Marshall, Texas.

For those of you who don't know, Marshall, Texas, is one of those so-called plaintiffs' paradises. It's where patent trolls like to file litigation for a number of reasons, not the least of which is 90 percent of the jury verdicts are in favor of the patentee. Awards in the hundreds of millions of dollars are not uncommon.

Landgraff: The difficult thing with patent trolls is there are really no counterclaims, and they often have huge bankrolls to funnel into litigation. They've settled lots of cases before they get to companies like GE or Coca-Cola and they can go toe-to-toe for a long time.

I think we'll see more cases, probably from the federal circuit, that will help clean this case up. It's pretty clear if you read Kennedy's concurrence that everybody's going to get an injunction unless they fit into this definition of being a patent troll.

Alexander: Let's diverge from patents and talk about cybersquatting [when someone registers a popular Internet address with the intent of selling it to its rightful owner].

Lunsford: Unfortunately, most of the cybersquatting experiences that we have deal with unsavory sites.

We're fortunate to represent McIlhenny Co., which produces Tabasco sauce. We have had a number of instances of cybersquatting and infringement, where folks, who tried to reach Tabasco.com but misspelled the name with an O rather than an A, wound up in locations where they didn't want to be.

Kline: We have a lot of problems with cybersquatting. You get on a site and you see just how easy it is to tarnish a trademark and how little you can do about it from a legal perspective, assuming that the site has some arguable First Amendment content. If the site also has some commercial content, maybe there's a chance.

Siegal: With fan sites and media sites, there are different levels of seriousness when it comes to Internet infringements and cybersquatting. The most egregious -- and this was a phenomenon that occurred several years ago in the collegiate area -- was a host of individuals who would acquire a university domain name. For example, when you typed in universityofmichigan.com, you'd be redirected to a porn site.

Alexander: Let's look at intellectual property in the context of employee departures and hirings. How do you make sure departing employees aren't taking your information with them when they go? How do you make sure you're not getting information from new employees that you shouldn't have?

Landgraff: This is a big issue at GE. We've got over 300,000 employees, so we're well past the "We don't want you going to competitors" and "We're not going to hire from competitors" stage.

Every employee who leaves has an exit interview with HR. We make sure employees understand their confidentiality obligations to the company, and are not taking company property, such as proprietary documents. We have employees sign off on that when they leave.

When we're considering hiring someone from a competitor, we tell them up front that we don't want confidential information from their prior employers.

We had a gentleman in one of our companies about two years ago announce that he was leaving to go to a competitor. Our IT folks alerted us that he had downloaded a tremendous amount of documents that were confidential and proprietary.

We wrote a letter to the people that he was going to work with and said we understand this gentleman is in possession of this type of information. He's not authorized to share it or use it in the scope of his employment with you. We were just letting them know, not accusing them of anything. When the other company got that letter, they rescinded his offer.

Lunsford: Entrance interviews are also extremely important, particularly for small companies. Companies should have standard things that they cover to make sure they're not getting information they shouldn't be getting. As that becomes a matter of routine, it becomes a tool that can be used if you have to litigate after someone is hired and brings inappropriate material with them.

Alexander: For companies that have a lot of patents, is there a good way to keep track of what you've got?

Landgraaf: We manage most of ours from a database. I've got seven attorneys in my group who have a pretty good working knowledge of what we have and where we have it. Without a database to manage the portfolio around certain products and services that we offer, knowing what we have would be incredibly difficult.

Lunsford: With our clients, we talk about having at least an annual, if not quarterly, intellectual property audit. We ask: Where's the company going? How is it going to get there? Using what technology? What brands? What do we need to protect? What do we need to make sure we don't infringe?

Alexander: Let's shift to copyrights, and look at fantasy sports leagues as an example. Bruce, there's some St. Louis litigation having to do with what's fair use, with whether you need a license when you operate a commercial fantasy league in order to use players' names and performance statistics like RBIs, home runs, double plays, ERAs.

Siegal: It involves Major League Baseball Advanced Media and a company called CBC Distribution and Marketing Inc.

The fantasy sports concept basically involves a Web site that provides statistics and rosters so you can construct your own fantasy team by picking real players from real teams. Then you compete against others who've also selected their dream team.

The leagues used to license this fantasy-league function to other companies, and they still do, but they are all trying to bring this back in-house.

When Major League Baseball did not renew the license for CBC Distribution, CBC took the position that the statistics, player names and information were in the public domain.

Major League Baseball argued that they had the ability to control access to information -- that it's a product of league activities, not media uses, per se. They're not saying newspapers and magazines can't report the statistics. But they argued that these fantasy leagues crossed the line to create a commercial endeavor. The trial is set for September.

This case has implications because a lot of the newer licensed products, both collegiate and professional sports leagues, involve the marriage of technology and instant access to statistics and other aspects of game play that can be translated into a new series of licensed products.

Alexander: Also in the context of copyright, what happens when you buy art for your company's products? If you buy it, does that mean you have the copyright?

Kline: A few years ago, Coke bought a small California company called Odwalla. It makes not-from-concentrate juices and energy bars. Along with the purchase came intangible intellectual property assets, one of which was the trademark for the Odwalla bird on the labels. It was listed on a schedule as a registered trademark when we acquired this company.

About five years later an individual surfaced, claiming that he was the author of the Odwalla bird as well as a number of other Odwalla graphic artworks.

We went back and looked at the due diligence file for the acquisition. While the company that sold us Odwalla warranted that they had all the copyrights, trademarks and patents necessary to run the business, they never actually acquired an assignment of copyright to the Odwalla bird or any of the other works of art.

Well, there's not a whole lot you can do at that point. There's an argument of implied nonexclusive license in some states, and we were prepared to go with that.

Unfortunately, implied license has limitations, one of which is it's not exclusive -- anyone can potentially get a license to that artwork. Also, it only applies to artwork that is impliedly licensed. It does not cover derivative works. So when our marketing folks want to update the Odwalla bird, they can't.

Even though this artist was paid hundreds of thousands of dollars to draw this bird for our predecessor, because he did not sign a one-page copyright assignment, we were forced to deal with him as if we were the subsequent purchaser of those rights.

Siegal: We license marks on behalf of the University of Southern Mississippi, which paid an ad agency to redesign the school's eagle-related sign trademarks.

Ten years passed, and then an artist employed by the ad agency sued the University of Southern Mississippi, my company and various licensees. When he created all these logos, he never signed an assignment of the work for hire.

The university extricated itself based upon an 11th Amendment soft immunity argument, leaving its licensing agent and licensees holding the bag. We resolved it, but that's not a happy situation to be in.

Alexander: Let's shift to trademark. Has anybody had an unusual trademark case?

Kline: We've had some very counterintuitive experiences. One involved the Hollywood sign. That is a federally registered trademark owned by the Hollywood Chamber of Commerce, which is aggressive in protecting that logo.

I wouldn't have guessed; I would have thought that's just a famous sign that people have taken pictures of for decades and anyone is free to use it. Not true.

We had a picture of that sign on a very discreet portion of one of our Web sites and they came after us. We took it down, but what about damages? It's hard to get The Coca-Cola Co. to argue that trademark rights aren't worth anything.

Alexander: With trademarks, what steps can we take to help thwart the use of our company names?

With Emory, I looked around our neighborhood and saw Emory dry cleaners, Emory florist, Emory everything. We found that just by negotiating, we could start getting our name back. We haven't sued anybody except a former licensee.

Landgraaf: The biggest source of information about trademark infringement in our company is our employees, who are out in the field and surfing the Web.

Lunsford: We see that with family-owned businesses. No one is more protective of their mark.

Siegal: In the collegiate area, we're inundated with information from licensees, legitimate retailers, our own staff, private investigators. There's a whole new group of investigators who focus on counterfeits in the marketplace, from flea markets to swap meets and other channels of distribution.

We also do game-day event enforcement. We're involved with the NCAA for the Final Four; we also represented Churchill Downs at the Kentucky Derby.

That sounds glamorous and fun. It is, but it also involves making sure that the bad guys are not selling bootleg products on the street before the event, and if they are, being in the position to get immediate justice and get the product stopped then and there, either under counterfeiting laws or civil temporary restraining orders.

Alexander: But the T-shirts on the street are so much cheaper.

Siegal: You get what you pay for.