

**OUTDOOR LAW: INTELLECTUAL PROPERTY AUDITS FOR
OUTDOOR RECREATION/EDUCATION COMPANIES**

**by Rufus E. Brown, Esq.¹
Brown & Burke, P.A.
www.brownburkelaw.com**

If you are an owner of an outdoor recreation or educational business, chances are that the most valuable property you own consists of intellectual property. Tangible property, bricks and mortar, can be rented or may not be needed at all, and office equipment is usually disposable once outdated. But intellectual property, such as the company's trademarks, copyrights and trade secrets, is essential in the outdoor recreation and education business, as it is more and more for all businesses, and should be preserved and protected.

1. What is an Intellectual Property Audit?

If you have to ask this question, then you definitely need one. All companies insure their hard assets against loss and their company against liability, but most outdoor related businesses will not have insurance against loss of their intellectual property. So what is needed is to identify what intellectual property a company owns that is valuable to its business in terms of setting it apart from competitors and whether the company has taken the appropriate steps to retain its value and safeguard it against loss. This article will outline the some of the more obvious steps involved in this kind of audit.

2. Trademarks.

For most companies in the outdoor recreation and education business, the most prominent trademark is the company's trade name. Wilderness Medical Associates, for example, is a

¹ Rufus E. Brown, Esq. is a partner in the Portland, Maine law firm of Brown & Burke. His practice focuses on intellectual property, outdoor recreation law, and commercial litigation. His clients include Wilderness Medical Associates[®] and New England Outdoor Center.[®] The views expressed in this article are his

registered trademark for a company providing training in emergency medical treatment in remote settings, doing business under that name. Its trademark is its commercial persona, as valuable as one's personal name is to its owner, that distinguishes the goods and services of its business from others. It identifies the entity that provides services and the quality of its services and as such embodies the company's goodwill, or commercial reputation, that the company has earned over the years and which enables it to attract customers. This asset is surely worth owning and worth protecting against misuse by others.

An outdoor recreation or education business might have other trademarks. Your logo or your domain name, for examples, may be protected as trademarks. Or you may have distinctive names that identify a particular kind of wilderness experience or a training program.

An intellectual property audit will identify your trademarks and assess their status and protection.

To qualify for protection, a trademark must be inherently distinctive (e.g., "arbitrary" or "fanciful") to be immediately protected, such as the "XYZ company," as opposed to marks that are "merely descriptive" of the goods and products they identify, which must acquire "secondary meaning" (that is, general recognition, usually presumed from exclusive use for a period of 5 years) to be protected. Generic or geographic identifiers when used alone never qualify for protection.

A trademark may be legally recognized and can be protected in state and federal courts without registration. The first to use in connection with specific goods and products generally has

own and not the companies he represents.

priority in terms of a contest over ownership. However, federal registration of important trademarks is definitely recommended, even though the process involves a filing fee that is currently \$335.00, and frequently costs more if professional assistance is used, and takes more than a year to be issued by the United States Patent and Trademark Office. The benefits of registration include the presumption of ownership with the right to use the mark nationwide and access to federal court for infringement actions without regard to amount in controversy.

Registration is good for 10 years with renewals required in ten year intervals, but the owner must file affidavit after 5th year of registration and before 6th stating that the mark is still being used in interstate commerce. Trademarks may be lost by non-use for a period of time, usually after 3 years.

As the owner of a trademark, you have the right to prevent a competitor from using your mark or a variation of it where there is a likelihood of confusion by consumers of the goods or services that the mark identifies. (For "famous marks" federal law affords protection against use by others that "dilute" or "tarnish" the famous mark even if the violator is not a competitor). The more successful your business the greater the risk that unscrupulous competitors will attempt to bleed off your customers with deceptively similar marks. As an owner of a trademark, you must be vigilant to its infringement to avoid a claim that you have abandoned your mark.

The trademark symbol ® should be used when the mark is registered with the USPTO, although this is not mandatory. When a trademark claim is being made but there is no registration, the symbol used is ™. These symbols give notice to the world that you claim a property interest in the mark and make enforcement easier and more effective.

You may license the use of your trademark by others, but when doing so you must control how the mark is used, and must assure the quality of the goods or services identified. In the absence of such control, you will lose protection of the mark.

The audit will also inquire into the needs for protection of the company's trademarks if it does business in foreign countries, including the desirability of filing for an international registration under the recent Madrid Protocol.

3. *Copyright.*

Copyright protects "original works of authorship" when reduced to a "tangible medium of expression." The 1976 Copyright Act generally gives the owner of a copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly. Copyright law does not protect ideas; what is protected is the original *expression* of ideas or information.

Most outdoor recreation or education businesses will have many works qualifying for copyright protection. These include the company's logo if it includes a design, marketing materials, training materials, anything that is in any way original (the threshold is very low) and is reduced to writing or other tangible medium, such as photos or recordings.

An intellectual property audit identifies the companies copyrightable assets and assesses whether they are adequately protected.

Like a trademark, copyright protection is not conditioned upon registration with the United States Copyright Office. Protection arises as soon as the author expresses himself in a tangible medium. However, also like copyright, effective protection requires registration.

Registration is easy and it is cheap; the filing fee is only \$30.00. If there is a copyright infringement, suit can only be brought in federal court and the federal courts will not accept the suit without a registration. Moreover, if the infringement begins prior to registration, the copyright owner loses the opportunity to argue for statutory penalties and attorneys fees as part of the relief, even if the violations continue after the registration. These are critical rights because infringement actions are expensive and therefore the prospect of having to pay the copyright owner's attorneys fees is an enormous deterrent factor to the infringer. Moreover, damages are usually difficult to prove in an infringement case and therefore the availability of set statutory damages is another tremendous advantage to the copyright owner in litigation.

The copyright and the registration applies to the original work and separately for revisions, updates, etc. known as "derivatives."

It is not necessary to use the copyright symbol in order to receive copyright protection, but it is highly advisable as a notice to the world of copyright ownership. Unlike the trademark symbol, the copyright symbol can be used whether the material is registered or not. The proper notice is ©, followed by date of creation, and then the name of copyright owner, e.g., © 2003 WMA.

Part of the audit will determine whether the business has registration certificates for the right corporate documents. Another important part of the audit will be to determine whether the business even owns the copyright in its corporate documents. This requires an understanding of the "work-for-hire doctrine." This doctrine defines an exception to the general rule that the creator of a work owns its copyright. Under the doctrine, an employer automatically acquires ownership of the copyright of work created by an employee with the scope of his or her

employment. On the other hand, the employer does not take ownership of the work of an independent contractor, even if the work is entirely paid for by the business, unless a written contract so specifies. This issue often comes up when a business wants to publish a photo as part of a marketing piece or other material. The questions to ask are who took the photo, was that person an employee, do we have the work for hire agreement?

The audit will also inquire into the needs for protection of the company's copyrights in foreign countries beyond protections that may be available under existing treaties such as the Berne Convention.

4. *Trade Secrets.*

Trade secrets are the third form of intellectual property to focus on in an audit of an outdoor recreation or education business. In order to obtain trade secret protection, which is only available under state law, usually through a state's adoption of the Uniform Trade Secret Act, a showing must be made that (1) the information derives independent economic value from not being generally known or readily ascertainable by proper means; and (2) is subject to reasonable efforts to maintain their secrecy.

Examples of trade secrets are customer lists, a business plans or marketing and pricing strategy, and even the identity of its vendors in some cases. Anything that is considered by the business as "proprietary" and which would be valuable in the hands of a competitor may qualify as a trade secret if properly safeguarded.

No registration is available for trade secrets. The key to protection is to have in place methods for maintaining the secrecy of the trade secret information through physical protection,

limitation of access, and nondisclosure agreements for those having access. The principal goal of the intellectual property audit is to identify the information that the company wants to keep secret and assessing the measures taken to keep such information secret.

5. *Agreements Protecting Intellectual Property.*

A key part of the intellectual property audit will be to identify and assess the adequacy of agreements which should be in place to protect intellectual property. These agreements are of two types: internal agreements with employees and third parties agreements.

Every company with intellectual property to protect should have employment agreements with employees having access to such property, not just key management. The employee agreements should include provisions whereby the employee recognizes the ownership of the employer in the trademarks and copyrights of the company and agrees to protect its trade secrets from disclosure both during and following the term of employment and regardless of the circumstances under which employment terminates. The employee agreement should further acknowledge that the employer is the owner of the copyright of all work performed on the job (and in certain circumstances off the job). For employees with broad access to trade secrets and customer relations, and perhaps for others, the employer should have in place agreements whereby employees covenant not to compete with the employer after they terminate their employment. These type of agreements must be carefully drafted because they are often challenged as unfairly restricting the liberty of a former employee to pursue employment of his or

her liking and courts will give any restriction on this interest careful scrutiny. Although different states have formulated different policies on when covenants not to compete will be enforced, most require them to be limited in time (certainly five years or less, with 2 years generally being safe), limited in geographic coverage to no more than the scope of the customer base and competitors, and limited in the scope of the restriction to protect only what the business is entitled to protect. One method of limitation that has been approved in some states is to prevent an ex-employee from soliciting any existing customer of the business and any prior customer of the business within a defined period of time with whom the employee had contact. These covenants can be important and thus it is important that they be carefully crafted to meet the needs and circumstances of a particular business without overreaching.

Contracts with third parties should be audited as well. If the business uses independent contractors for the delivery of its services, work for hire agreements should be in place as well as several of the provisions usually put in employment agreements, such as nondisclosure provisions and covenants not to compete. A business allowing independent contractors to have access to a company's copyrights and the right to affiliate or represent itself as being associated with the business should be dealt with in licenses, specifying the terms and conditions under which the independent contractor is allowed to use the copyrighted materials and trademark association with the business.

6. *Policies and Procedures.*

In addition to the review of different categories of intellectual policy, the audit should determine whether the business has policies and procedures in place for the creation and protection of intellectual policy. The procedures should include the designation of an employee whose job includes coordinating the creation, inventorying and protection of intellectual property.

In conclusion, every outdoor business having intellectual property worth protecting should conduct the kind of audit described here, even if it is limited to a self-audit based on the the basic principles identified above. It is better protection, of course, to use a professional.

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