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Clipper



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The When Clipper

When: Plan Business Succession

When should you plan business succession? Now.

Business owners work hard to grow their businesses. Too often, however, lack of succession planning destroys corporate assets. Three barriers impede good succession planning: time, uncertainty, and fear. Each barrier can be overcome.

Every business has its management and ownership successions. Successful businesses become attractive merger and acquisition candidates. After years of nurturing the business, an owner may wish to extract some of the accumulated value and work less hard, begin a new enterprise, or retire. Or unexpected illness may force a change. Whatever the initiation, even thinking

of letting go of the control, position, and responsibilities of the business is often initially unsettling.

Successful business owners have confronted and mastered many difficult tasks: meeting payroll, confronting competition, recruiting good staff, firing poor workers, adopting productive innovations, and avoiding wasteful management fads. planning for the business's own succession is no more difficult but at least as important.

Succession planning concerns the future and other people, both high areas of uncertainty. While we don't know the future, we can plan for likely futures, in the plural. Succession planning often seems to be concerned with a distant future, years away from today's time-crunched demands. Yet, like good auto maintenance, if some time is not properly spent now planning for future successions, future options become more limited and available choices more costly. The major value of many young businesses are their intangible

assetstrade secret ideas, trademarks, copyrights, patents, key personnel. Often a growing business will own more than it realizes it has. An intellectual property review often identifies additional assets, strengthens the balance sheet, and spotlights minor gaps in the formal ownership documentation. These gaps, if found and identified promptly, are usually readily corrected. The same ownership gaps, if neglected until litigation or a potential buyer's due diligence review, may become expensive chasms.

Several audits should be conducted:

- key person audit
- intellectual property audit
- insurance and risk audit
- crisis prevention audit

Your corporate counsel and accountant can readily prepare general management and financial reviews. An intellectual property firm is often experienced with key person and intellectual property audits. An organizational psychologist may be helpful in reviewing and helping prepare for crisis prevention.

Top executives too often find themselves isolated from concerned but independent listeners. A succession review, begun long in advance of

anticipated need, provides an opportunity to firm up the business's planning and balance sheet, as well as discussing any backburner issues and concerns. *K&K*

When Comply With Government Regulations

When should you comply with governmental regulations? Almost always.

It is important to comply with governmental regulations as far in advance of the effective date as feasible. You have the responsibility to be aware of federal, state, and local laws and regulations. However, minor infractions and violation of unclear regulations are infrequently sanctioned.

Most businesses are governed by a wide range of federal, state, and local laws and regulations. In addition to general business law, many industries have specific regulations they should follow. Even in a time of government downsizing and deregulation, significant laws and regulations will persist. *K&K*

Regulating Organizations

United States Food and Drug Administration (FDA): Regulates foods, over the counter drugs, prescription drugs, medical devices, biologics, lasers a quarter of the dollar value of retail consumer products.

The Department of Agriculture: Regulates raw food commodities.

The Federal Trade Commission (FTC): Regulates advertising, including advertising of FDA regulated products.

The Environmental protection Agency (EpA): Regulates products and services impacting the environment. EpA regulations are designed to protect health and to improve the environment by reducing pollution. *K&K*

When Do You Need A Contract?

When should an agreement be written? Whenever it is important if is kept or not.

A contract is simply an enforceable agreement. Most agreements need not be in writing to create duties and to be enforced. Many contracts are made orally. Some enforceable contracts are made without words but simply by a

course of dealing and actions showing the parties are behaving as if both consider the agreement made.

The main purpose of a written contract is to clarify what the agreement is. Clarification helps in making the agreement, as details are worked out to support the essential purposes. The writing helps all parties remember what they promised, what their duties are, what the other parties promised, and what was not promised.

Most commercial agreements are completed as expected. Of the few agreements that encounter problems, most are resolved between the parties. Only a small proportion of commercial agreements result in litigation. While a proper written agreement helps in litigation, more importantly a proper written agreement helps avoid litigation, by clearly stating each party's rights and obligations and assigning known risks.

Some agreements must be in writing to be enforceable. Under most state statutes contracts to answer to a creditor for the debt of another, most contracts affecting an interest in land, contracts for the sale of goods over \$500, and contracts not to be performed within one year from their making must be evidenced by a written memorandum and signed by the party

to be charged. The federal copyright statute requires an assignment of copyright interests must be in writing to be valid.

Some people attempt to piece together a written contract by selecting pieces of agreements they encounter. This is as dangerous as swallowing the medicine of a neighbor without knowing the neighbor's medical condition. Few intellectual property agreements are mass produced. Each party has special considerations that make the difference between a well fit agreement and a clumsy hindrance to performance. Even the same party's needs and positions change over time. An author's third book publishing agreement is usually negotiated from a stronger position than the first agreement.

Sometimes no written agreement is better than a poorly drafted contract, or a brief statement of intent and dates may be better than a multipage boilerplate document. What is truly needed depends on unique situation of each party, the potential benefits and risks of the agreement, and the time reasonably available to draft and negotiate a fair contract. *K&K*

When Should You Seek a Federal Trademark Registration?

Whenever you have a commercially important and valid trademark.

Register whenever you have a commercially important and valid trademark, service mark, logo, trade dress, configuration, collective mark, or certification mark (collectively termed trademarks).

The Lanham Act of 1946, the federal trademark law, offers protection for any word, symbol, design, or product configuration that provides source indicating significance, that functions as a trademark. There are multiple advantages of federal trademark registration, and a few conditions under which federal applications are not advised.

A federal trademark is a public record, readily searched by anyone seeking to know what new trademarks may be available and which trademarks are taken. A federal registration can be cited by the federal trademark examiner as confusingly similar to a later federal application, thus blocking the

registration of the later application. A federal registration may be registered with the US Customs Service to limit the import and export of unauthorized goods bearing the trademark.

A federal trademark registration is prima facie evidence of the trademark's validity, of its priority date, and of the registrant's ownership of the trademark. This evidentiary advantage can place a \$50,000 burden on an infringement defendant seeking to argue the invalidity of the trademark.

A federal trademark registration is persuasive evidence to an infringer's attorney that you consider the trademark commercially important and have prepared to defend the mark against infringers. A federal trademark registration, and the possibility of treble damages for willful infringement, may facilitate reasonable settlement short of litigation.

Federal registrations should be sought early for any trademark likely to be commercially important for more than a year. Since a federal application takes about a year to issue in uncontested cases, a federal registration may be unwarranted if you are sure your new trademarked product or service has a life less than a year.

Most federal applications that are acceptable to the trademark examiner are published for opposition. Anyone who believes they may be harmed by the registration may, within thirty days of publication, pay a government fee and oppose the registration. If you believe you have trademark rights but that they will be contested, you should consult with trademark counsel before beginning the trademark application. If a trademark dispute is likely there are differing advantages to having the dispute in the federal trademark office as an opposition or in a federal district court as an infringement action.

Trademark registrations are not granted for generic terms; descriptive terms receive only limited trademark recognition and often require extensive evidence of distinctiveness and argument to the trademark examiner. Marginal trademarks may thus be more difficult to register with the federal government. Strong evidence of distinctiveness and interstate use should be available or state trademark registration can be considered. *K&K*

When: Foreign protection

Obtain foreign intellectual property protection well before needed.

When should an American business think about obtaining foreign protection for intellectual property? Well before it is needed. If you anticipate doing business outside the United States anytime in the foreseeable future, it is prudent to consider applying now for foreign intellectual property protection, especially trademarks. Much intellectual property law is territorial; trademark and patent rights granted in one nation are usually not recognized in other nations. While trademark rights in the United States are based primarily on use, many foreign nations recognize trademark rights based on formal registration, not use. Moreover, use outside a nation rarely supports trademark rights within that nation.

problems often arise when a successful US business seeks to expand to a foreign country. Initial inquiries may be made, tentative discussions held with distributors. Because foreign rights are often based on "first to file" rather than "first to use," anyone in the foreign

country learning of your expansion plans may file a trademark application, effectively blocking your use of your own trademark. Your choices are limited: buy your own trademark back; operate under a new trademark; litigate to prove that your trademark is "famous" or otherwise seek to cancel the blocking registration.

planning and precaution can preserve your trademark. List down a page the countries with commercial potential for you. Canada and Mexico are close, England and Australia share our language, Japan and Germany are prominent. Then form a matrix, listing across the page your important trademarks. Word marks, stylized marks, logos should all be listed separately. If you use a trademark on differing goods and services, make separate columns for each good and service.

Most countries grant trademark registrations based on the International Classification of Goods and Services of 42 trademark classes. Government filing fees are generally per class; the more classes, the higher the fee. Additional fees for the European Community application begin after the third class.

Strong, distinctive trademarks may now receive protection in all 15 European

Community nations with a single EU registration. Europe now presents a special opportunity. After decades of planning, a single European Union (EU) trademark registration began to be available in 1996. A single European registration offers strong advantages: application and maintenance costs are significantly less than equivalent protection separately in each of the 15 countries of the Union. The European Community's total population is 350 million. However, obtaining a European Community Trademark (CTM) registration is not feasible for all trademarks.

The European trademark application is examined for formalities and for inherent distinctiveness by the Community Trademark Office, in Alicante, Spain, formally titled the Office for Harmonization of the Internal Market, OHIM. Applications may be filed in Alicante or at the trademark office of any member country, and may be in English, French, German, Italian, or Spanish.

OHIM will search for earlier filed Community Trade Mark applications and notify the owners, giving the earlier owners an opportunity to oppose the later application. The trademark offices of the EU states will also search for earlier national registrations. However,

unlike the US procedure, OHIM itself will not refuse registration based on earlier rights, whether national or Community. France, Germany, and Italy will not conduct national searches for Community trademark applications. Seniority may be claimed from earlier EU national registrations, and Paris Convention priority (if the EU application is filed within six months of an earlier national application) may also be claimed.

An opposition to the application may be filed by the owner of earlier rights, whether registered or not. A successful opposition based only on earlier rights in a single EU country is sufficient to defeat the EU registration. It is possible to convert a Community Trade Mark application into separate national applications when the application is refused by the OHIM, the registration is withdrawn, or the registration is declared invalid for other than non-use. The converted national applications may claim the CTM filing date.

The Community trademark registration is valid for ten years, with ten year renewal periods. Use in a single EU nation is sufficient to defeat a cancellation action for non-use. Trademark use is not required for the initial application. However, if the trademark is not used for five

Technology Transients

The classic laws of intellectual property still hold: Thou Shalt Not Steal and Thou Shalt Not Bear False Witness.

The Internet (the Net), its multimedia World Wide Web (the Web), and current technology concerns, have generated billions of dollars of investor hopes and a participating audience of millions.

Now that anyone can publish a Home page to the world, there is some question whether Internet law is different, what's infringing and what's protectable.

The classic laws of intellectual property still hold: Thou Shalt Not Steal and Thou Shalt Not Bear False Witness. Avoid using another's protectable works (graphics, sounds, writings, trademarks, personal names) unless you have written permission or are sure your use is "fair" under the law.

Avoid deceptive statements and images; don't speak unkindly of a person or product unless you are sure your statement is nondeceptively true and you need to make the statement.

consecutive years, it is liable to cancellation, on action of a third party.

Infringement actions may primarily be brought in the EU state where the defendant is domiciled or has an establishment. If the primary venue is not applicable, actions may be brought where the plaintiff is domiciled or has an establishment. If neither venue is applicable, then the action may be brought in the Spanish courts or the court in the EU state where the infringing act occurred.

The best candidate for a European Union Community Trademark application is the owner of a strong, distinctive trademark which already is registered in many of the EU countries. Since the only way to preserve prior rights before registration is opposition (OHIM does not reject an application based on prior rights), many Community applications are likely to be opposed.

Application for a weak trademark may not be warranted, since opposition may be likely and the cost of CTM application and conversion to national applications is more than simple national applications. Foreign trademark searches may be conducted before application to reduce uncertainty. *K&K*

Have prior substantiation for any claims you make.

Remember the global reach of the Net may subject you to laws and judicial interpretations of distant states and nations. What's acceptable in one city to a specialized audience may be actionable elsewhere.

Fundamental safe and profitable business practices generally transcend technological changes. The law of honest work and fair dealing is still a good rule.

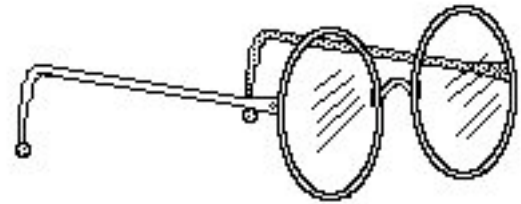
While fundamental intellectual property principles change slowly, the laws do change, sometimes dramatically.

The federal Trademark Dilution Act became effective in 1996. Dilution refers to the lessening of the distinctive quality of a trademark. The federal Dilution Act is limited to "famous" trademarks. However, a trademark may be famous without being an internationally known consumer trademark.

Under the federal Dilution Act, a trademark owner may prove fame within a reasonable trade channel and geography. These provisions may be especially helpful to well-known industrial and specific trade products that lack high consumer recognition.

As with most intellectual property law, changes bring opportunities and dangers. The new federal dilution right strengthens famous trademark rights and creates another potential liability for the unwary. *K&K*

When Watch?



When should you institute a routine trademark watch?

When should you institute a routine watch for confusingly similar trademarks being filed?

Whenever you own a trademark you consider valuable or want to monitor developing technology, and in whichever countries you consider important for current and near future business.

Trademark watches are available in the United States and in some foreign countries. For a modest annual fee, a trademark watching service reviews new trademark applications or applications published for opposition,

and notifies trademark counsel of marks that may be of concern.

An identical trademark for identical goods is liable to be an infringement. professional judgment can help interpret how strong a case may be made against a nonidentical but similar trademark for nonidentical but related goods and services. The sooner the problem is identified, the more options exist for less expensive resolution of the conflict with the adverse pending trademark application.

If an adverse trademark is to be challenged, there are several advantages to opposition before the trademark receives governmental registration compared to cancellation after registration. A federal trademark registration is prima facie evidence of the validity and priority of the trademark; a pending federal application carries no such presumption. Thus challenging a federal registration can be significantly more expensive and difficult than opposing a federal application.

Technological developments and competitor's marketing plans can often be disclosed from a patent watch. Many foreign countries publish patent applications well before the formal patent issues. United States patent applications had been secret until issue,

but are likely to be published 18 months after initial filing. *K&K*

Notice: Laws Change. The law is constantly changing. Moreover, no general discussion can incorporate all the specific facts of your particular situation. For particular legal questions, consult an attorney. For questions regarding this Clipper, consult [Daniel Kegan](#).

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Select Intellectual property & FDA Dates

1776	Declaration of Independence
1787	US Constitution, authority for copyrights and patents
1791	First Amendment, Freedom of Speech
1790	First federal US patent act; First federal US copyright act.
1 July 1909	C. 1909 Copyright Act effective
1946	T. Lanham Act for trademarks.
1952	P. Patent Act.
1 Jan 1955	T. 72 Trademark Serial Number Series, through 30Aug73.
16 Sept 1955	C. US adhere to Universal Copyright Convention.
19 Sept 1962	C. First extension of copyright term, increasing duration from 56 to 75 years.
1 Jan 1964	C. Works first published on or after subject to automatic copyright renewal.
15 Feb 1972	C. Federal copyright protection for sound recordings.
1 Sep 1973	T. 73 Trademark Serial Number Series, through 15Nov89; US adopt Int Class.
10 Mar 1974	C. US adheres to Geneva phonogram Convention.
1 Jan 1978	C. Copyright Act of 1976 effective.
11 Dec 1980	P. Maintenance fees due on patents (excluding design & plant) filed after.
1 July 1983	C. Semiconductor Chip protection Act of 1984 protects mask works.
8 Nov 1984	C. Semiconductor Chip protection Act of 1984 effective.
1 July 1986	C. End of copyright manufacturing clause
1 Jan 1989	C. Satellite Home Viewer Act of 1988 effective.
1 Mar 1989	C. US adherence to Berne Convention Implementation Act of 1988 effective
24 Oct 1989	F. NLEA undefined nutrient content trademark grandfathering ends.
16 Nov 1989	T. Trademark Revision Act effective, 10 yr registrations. 74 Tm Sn Series.
15 Nov 1990	C. States and instrumentalities now liable for copyright infringement.
1 Dec 1990	C. Architectural Works Copyright protection Act; Computer Software Rental Amendments Act of 1990 effective.
1 June 1991	C. Visual Artists Rights Act of 1990 effective.
27 Oct 1992	T. Lanham §40, States liable for trademark infringement.
8 May 1993	F. NLEA Health Claim regulations effective.
8 May 1994	F. NLEA Nutrition labeling regulations effective.
8 May 1994	F. "Healthy" label FDA regulations effective for new products.
1 July 1994	F. Health Claims on Dietary Supplements effective.

- 15 Oct 1994 F. Premarket 75 day notification required if nutritional substance not marketed in US before 15Oct94, supplement or ingredient must be reasonably expected to be safe; FDA keeps confidential for 90 days. FDA Docket 95S-0316 established Oct95. (Dietary Supplement Health & Ed Act of 1994).
- 1 July 1995 F. Nutrition labeling & nutrient content claims for Dietary Supplements start.
- 1 July 1995 Uruguay Round GATT TRIPS (Trade Related Ip Rights) effective, 20 yr patents.
- 1 Oct 1995 C. Red Baron provision set to expire.
- 3 Jan 1995 F. "Healthy" label regulations for Agriculture (meat & poultry)
- 1 Jan 1996 F. "Healthy" label regulations for pre-8May94 products effective.
- 1 Apr 1996 T. European Community Trademark first filing date.
- 1 Oct 1997 C. Computer Software Rental Amendments Act of 1990 set to expire.
- 3 Oct 1997 C. Record Rental Amendment of 1984 set to expire.
- 1 Jan 1998 F. Reduced sodium regs for "healthy" FDA labels.
- 31 Dec 2002 C. Earliest expiration for works unpublished and unregistered as of 1Jan 1978; Termination of protection for unconstructed works under Architectural Works Copyright protection Act.
- 6 Oct 2006 T. Trademark Dilution Revision Act Effective
- 31 Dec 2027 C. Earliest expiration for works unpublished & unregistered as of 1Jan78 if published before 2003.
- 31 Dec 2038 C. Copyright renewal registration irrelevant to copyright subsistence.
- 15 Feb 2047 C. Federal preemption begins for sound recordings fixed before 15Feb 1972.
- 31 Dec 2052 C. Constructions of 1909 Copyright Act irrelevant to copyright subsistence.
- 31 Dec 2064 C. Copyright notice provisions irrelevant to copyright subsistence.

Select Intellectual Property & FDA Durations

- 1 day Try to return phone calls
- 2 days Notice for motions, federal court, NDIL
- 3 days Added to times mail service under federal litigation.
- 5 days Notice for motions, federal rules unless local rules differ.
- 10 days Temporary restraining order duration.
- 10 days Appeal interlocutory order in federal litigation.
- 10 days Federal litigation durations under 11 days exclude Sat, Sun, legal holidays.
- 10 days Offer of judgment contingent liability if not accepted.
- 14 days Typical application processing time for US state trademark application.
- 20 days Answer a federal complaint after service.
- 30 days Oppose a US trademark after publication.

30 days	Respond to federal discovery request.
30 days	Appeal a federal judgment.
40 days	Answer a US trademark opposition after TTAB notice.
>45 days	Defendant respond to discovery request served with complaint.
>75 days	Nutritional substance premarket FDA notification if marketed in US after 14Oct94.
120 days	Pretrial conference deadline from complaint filing, unless local rule differs.
120 days	Dismissal without prejudice if service incomplete.
1 yr	US patent barred if commercialization or printed description before application filed.
1 yr	Typical processing time for unopposed US federal trademark application.
18 mo	Patent application publication after filing, many countries.
2 yrs	Typical moderately contested litigation
3 yrs	Trademark abandonment presumed if US trademark unused
4 yrs	Grace deadline for US patent maintenance fees.
5 yrs	Declaration of Use for US trademark may be filed
6 yrs	Declaration of Use for US Tm due or lapses
7 yrs	British based trademarks, initial trademark term
8 yrs	Grace deadline for US patent maintenance fees
10 yrs	Trademark term, post Nov89 US registrations and many foreign registrations
10 yrs	Trademark processing time, some developing nations
12 yrs	Grace deadline for US patent maintenance fees.
14 yrs	US design patent term.
17 yrs	US pre July95 patent term, from issue.
20 yrs	US pre Nov89 trademark term.
20 yrs	US post July95 patent term, from application.
20 yrs	Typical adverse possession, open, notorious, continuous, hostile property claim.
21 yrs	Rule of perpetuities, contingent interest must vest within a life in being +21 yrs.
50 yrs	Copyright for natural person, author's life plus 50 yrs.
75 yrs	Copyright for nonnatural persons, from publication.
100 yrs	Copyright for nonnatural persons, from creation.
Infinite	potential life of a trademark
NOTICE	The law is constantly changing. Copyright © KeganLaw. 1997, 2006