

Taking a Bite from the Proverbial Apple: Intellectual Property for Attorneys and Entrepreneurs

What does it take to be a successful entrepreneur in the 21st century? Sure, it takes a smart idea, some start-up capital, angel investors, a venture capitalist or two, and that non-quantifiable bit of luck. Small businesses also need an innovator at the helm of the company who is willing to take risks. All of this is fairly well known.

However, there's something else that is vital in order for a business to break away from the pack: a savvy attorney who has a deep knowledge of intellectual property law. Accompanying that knowledge must be the acumen to recognize that effective use of intellectual property requires applying "design thinking" to the practice of law. Tim Brown, president and chief executive officer of IDEO, a leading global design firm, offers the following definition as a starting point: "Design thinking can be described as a discipline that uses the designer's sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity."¹

Practicing intellectual property law while being mindful of the importance of design thinking is no longer just another good idea for attorneys who are servicing emerging businesses, it has become essential. Many entrepreneurs underestimate the importance of protecting their intellectual property and merely request that attorneys help them register a trademark or two. Many are unaware of the effort required to actually brand a product in a way that generates excitement across generations and fosters real feelings of connection on the part of the customer. The attorney's role is to encourage the client to think creatively about branding and innovation, and advise the client that its original ideas are protectable through the various tools of intellectual property—trademarks, copyrights, trade secrets, and patents.

There is much to be learned from the way Steve Jobs and Apple created and aggressively enforced the company's intellectual property rights. Apple did not become what it is today with only great innovators and good ideas. The company had a high-quality legal team, with innovators and attorneys working together and willing to design an *experience* for consumers—an experience protected by a well-designed intellectual property package. By properly applying intellectual property and design thinking to clients'

businesses, attorneys can help build brands and experiences using the same strategies that ripened Apple from a small, scrappy underdog to one of the most successful and respected technology companies in history.

Trademarks and Trade Dress

Applying for a trademark registration with the U.S. Patent and Trademark Office is often one of the first items on the small business owner's agenda. However, after filing the initial trademark applications for the company's name and logo, many attorneys and entrepreneurs fail to take the additional steps required to actually develop a brand. Intellectual property practitioners are well aware that proper branding requires handling the trademark due diligence and registration process carefully to ensure, among other things, that the marks are sufficiently distinctive, do not infringe the rights of third parties, are properly safeguarded with adequate quality control protections, and that policies are in place to protect domain names and online marks. But brand development is a larger process that requires intangible considerations aside from those issues.

Attorneys should advise their clients to brand their businesses creatively in order to unify the company's various elements. Their websites, product packaging, stationery, business cards, and marketing materials should speak with one voice. Logos, slogans, color schemes, and typefaces should complement one another and should be used consistently. A talented designer will work with the business to create a brand that conveys a specific message to the public. An accounting firm, for example, may want subtle colors, straight lines, and legible serif typefaces in order to convey an air of sophistication and professionalism to prospective clients. On the other hand, a cutting-edge Internet company vying for a slice of the millennial generation's business may choose brighter colors, edgier graphics, and an informal sans serif typeface in order to appear young and current. Of course, the opposite may also be true—the accounting firm may want to target a younger clientele, and the Internet company may see opportunity in an untapped market that is seemingly averse to technology.

It is important for attorneys to encourage clients to consider design thinking because, if these elements, taken together as a whole, are sufficiently distinctive, they may be protected under the Lanham Act as trade



dress. “The concept of ‘trade dress’... refers to the total image of a product and may include features such as size, shape, color, color combinations, texture or graphics.” *Apple Inc. v. Samsung Electronics Co. Ltd.*, 768 F. Supp. 2d 1040, 1045 (N.D. Cal. 2011). According to the court, “the analysis for trade dress and an unregistered trademark under section 43(a) of the Lanham Act is very similar... a plaintiff must show that the trade dress or unregistered trade mark: (1) is nonfunctional; (2) is either inherently distinctive or has acquired a secondary meaning; and (3) is likely to be confused with [the defendant’s] products by members of the consuming public.” *Id.* (internal citations omitted). See also *Big O Tires LLC v. Brown*, No. 1:09cv01469 OWW DLB, 2009 WL 3698508 (E.D. Cal. Nov. 4, 2009). In *Big O*, the court recognized the overall layout of the business, interior color, color of employee uniforms, logos, and point of purchase materials and displays as elements of the plaintiff’s trade dress.

Steve Jobs’ meticulous attention to detail was a driving force in the design and trade dress of Apple products. In an article² introducing Walter Isaacson’s new biography of Jobs, Malcolm Gladwell observed that Jobs was more of a “tweaker” than an actual inventor. Jobs settled for nothing less than perfect, and would drive his designers crazy tweaking and modifying designs. For even seemingly minute details, such as the title bars at the top of windows and documents, Jobs obsessed. “He forced the developers to do another version, and then another, about twenty iterations in all, insisting on one tiny tweak after another, and when the developers protested that they had better things to do he shouted, ‘Can you imagine looking at that every day? It’s not just a little thing. It’s something we have to do right.’” While Jobs’ overly obsessive personality does not manifest itself in most people very often, it was this level of attention that dictated every design detail of every Apple product.

Apple’s branding succeeded in uniting seemingly unrelated products, thereby creating an integrated experience for the consumer. When you enter an Apple Store, you may notice the almost sterile white, black, and sky-blue color scheme and unfinished wooden tables. You may also notice the layout of the products in close proximity to one another, with consistently designed labels using the same colors and typefaces. Apple uses typefaces consistently throughout the store, from product descriptions to employees’ name tags. A clever marketing technique is evidenced by the placement of Apple products: one product may actually be used to market a completely different one. Next to MacBook Pro® computers are iPad®s displaying the MacBook Pro’s specifications, allowing the customer to simultaneously (1) explore and touch the MacBook Pro itself, (2) read the MacBook Pro’s specifications displayed on the iPad, and (3) become familiar with the ease and feel of the iPad. This is a perfect example of Apple’s ability to

put the consumer’s experience first and to leave no doubt that the consumer will form a bond with the technology.

Another useful tool under trademark law is creating a family of trademarks, which Apple accomplished with its “MAC” and “i”-related products. The Federal Circuit has defined a “family of marks” as “a group of marks having a recognizable common characteristic, wherein the marks are composed and used in such a way that the public associates not only the individual marks, but the common characteristic of the family, with the trademark owner.” *J&J Snack Foods Corp. v. McDonald’s Corp.*, 932 F.2d 1460 (Fed. Cir. 1991).

Whether a company has created a family of marks is a question of fact. It is not a question of adopting and using—or even registering—a group of marks with a common feature, but whether a recognition exists among consumers that the family “surname” is indicative of a common origin of the goods or services. *Id.* See also *Victoria’s Secret Brand Management Inc. v. Sexy Hair Concepts LLC*, No. 07 Civ. 5804 (GEL), 2009 WL 959775 (S.D.N.Y. April 8, 2009) (internal citations omitted).

The family of marks doctrine is a useful and effective way to unify seemingly unrelated products. While consumers have certainly heard of the iPhone®, iMac®, iPod®, and iPad, they may be less familiar with iChat®, iWork®, and iLife®, some of Apple’s software products. When consumers see that lowercase “i” these days, they expect to see an Apple product and all that goes with it. Despite the fact that these products consist of distinctly different goods and services, the “i” prefix also creates an additional layer of protection. Once the prefix itself becomes distinctive in the minds of consumers, Apple can preclude third parties from using the same prefix for confusingly similar goods and services, even if the “i” is not itself registered and the third party’s product name is entirely different. If I told you that I just purchased an “iFrame,” you are likely to expect that it is a new Apple digital picture frame. (It’s not.) If unlicensed, Apple would likely bring an action against a company for using a name such as “iFrame” for electronic goods or services. The mark would be analyzed under the same “likelihood of confusion” test that a traditional trademark infringement action would. See, e.g., *Thoip v. Walt Disney Co.*, 736 F. Supp. 2d 689 (S.D.N.Y. 2010).

It is important to note that families of marks are not easily created, and courts will not always recognize families of marks. The attorney’s role is to prove that the common element is inherently distinctive, or that it has acquired distinctiveness thorough secondary meaning. See, e.g., *Citigroup Inc. v. Capital City Bank Group Inc.*, 637 F.3d 1344 (Fed. Cir. 2011). In *Citigroup*, the Federal Circuit found that there was no likelihood of confusion between the plaintiff’s

CITI marks and the defendant's CAPITAL CITY BANK marks, despite the similar services, because of the different spellings, separate versus compound words, frequent use of "CITY BANK," the term "capital" as a dominant element, and the lack of any actual confusion.

Even though Apple has successfully created families of "i" and "MAC" marks, it has found itself as the defendant in numerous trademark infringement actions. When Apple introduced the iPhone in 2007, Cisco Systems, which had already registered the mark "iPhone" with the U.S. Patent and Trademark Office, sued Apple. The case was settled out of court. In addition, after Apple released its "iCloud" cloud computing service in 2011, Apple was hit with a lawsuit from none other than I Cloud Communications LLC.³ However, as a result of good lawyering on the part of Apple, I Cloud dropped the lawsuit and subsequently changed its name to Clear Digital Communications. Even as early as 1978, Apple invited trademark infringement lawsuits. Apple Corps, the holding company for the Beatles' record label, Apple Records, has filed numerous lawsuits against Apple over the years for trademark infringement and subsequently for breaches of the parties' settlement agreements (for, among other things, Apple's branching out into the music business with its release of iTunes).

Copyright

Business owners must also be aware of copyright law. Even though this goes without saying for art-related businesses, such as film production companies, authors, publishers, record labels, and artists themselves, the same holds true for any commercial enterprise. Entrepreneurs need attorneys who recognize copyright issues in the ordinary course of business in order to protect the company from infringement liability, while simultaneously safeguarding the company's own copyrights.

Each time a client uses a copyrighted work, such as a photo, text, music, or image, it is imperative for the attorney to have conducted due diligence to ascertain, among other things, ownership of the work. Before using a copyrighted work, the business must obtain full ownership through assignment, or, at minimum, by licensing the work from the proper owner for the intended purpose. This situation frequently arises when using a third party's photos or text to build a website, post on a blog, or create marketing and advertising material.

Start-up companies and established businesses alike also must exercise caution when hiring independent contractors. The business will automatically own the copyright for a work created by an independent contractor only in very limited circumstances—that is, for certain types of specially commissioned works if memorialized in writing as a "work made for hire."

Thus, for example, if a client hires a photographer to photograph its employees for their biographies to be posted on the client's website, the *photographer* will own the copyright to those pictures and has every right to sell them to third parties and use the photographs for other purposes, unless the photographer signs an assignment agreement transferring all ownership rights to the client. (The photographer may still need to obtain model releases.) This is true even if the client has entered into an agreement providing that the photographs are "works made for hire" because photographs do not fall within one of the enumerated types of "works made for hire" included in the Copyright Act.

The 1990s saw the rise of the Internet and, with it, exponentially more complex legal questions. In 1998, Congress enacted the Digital Millennium Copyright Act (DMCA) to address some of these issues. As intellectual property practitioners already know, the DMCA, among other things, increased penalties for Internet-based copyright infringement and criminalized the production and dissemination of technology, devices, or services intended to circumvent measures (known as digital rights management, or DRM) that protect copyrighted works from being copied. DRM is the reason why some digital files, such as music and movies, cannot be copied or placed on multiple devices (without sabotaging the DRM technology itself—another act criminalized by the DMCA).

Steve Jobs strongly opposed DRM restrictions, and in 2007 he actually wrote a letter to the four largest record companies requesting that they abandon DRM technology entirely. Jobs argued that "DRMs haven't worked, and may never work, to halt music piracy." Jobs felt that the record label's business model for the music industry was no longer sustainable and believed that convincing the music industry "to license their music to Apple and others DRM-free will create a truly interoperable music marketplace." Consistent with all other areas of Apple's business, Jobs recognized that what matters is the customer's experience. In fact, at Apple's World Wide Development Conference in 1997, Jobs offered the following advice: "You can't start with the technology and figure out how to sell it. You've got to start with the customer experience and work backwards for the technology." One can apply this advice to any area of business, including the practice of law.

Tech companies and software developers have other concerns related to copyright law in addition to those discussed above. "Computer programs" are specifically protected under the Copyright Act, which is the basis for why companies continually struggle with software piracy issues. The general rule is that one cannot reproduce a copyright owner's work without

permission. However, the “first-sale doctrine,” codified in 17 U.S.C. § 109, limits the copyright owner’s rights by providing that, once a work is sold for the first time, the purchaser may then resell that lawfully obtained copy to a third party without permission from the owner. This is where it begins to get tricky. Most software developers provide, in license agreements that are rarely read by consumers (they usually just click “Agree”), that the software sold to the consumer is licensed, not purchased, with significant restrictions on its use and transferability.

This issue arose recently in *Apple Inc. v. Psystar Corp.*, 658 F.3d 1150 (9th Cir. 2011). In that case, Apple sued Psystar, a small computer company, for, among other things, selling computers on which Psystar had installed Apple’s Mac OS X operating system. Along with each computer delivered to its customers with Mac OS X pre-installed, Psystar also shipped an unopened copy of Mac OS X to establish that Psystar had lawfully purchased Mac OS X from Apple for each computer and resold it lawfully under the first-sale doctrine. Apple’s software license agreement provided, among other things, that “You agree not to install, use or run the Apple Software on any non-Apple labeled computer, or to enable others to do so.” Psystar challenged this clause as “copyright misuse” based on Apple “requiring purchasers to run their copies only on Apple computers.” The Ninth Circuit agreed with Apple, holding that the license agreement was valid and that the “licensing agreement was intended to require the operating system to be used on the computer it was designed to operate, and it did not prevent others from developing their own computer or operating systems. These licensing agreements were thus appropriately used to prevent infringement and control use of the copyrighted material.”

In reaching its decision, the Ninth Circuit applied a test it recently adopted in *Vernor v. Autodesk Inc.*, 621 F.3d 1102 (9th Cir. 2010), holding that “a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user’s ability to transfer the software; and (3) imposes notable use restrictions.” *Id.*

Although there is plenty of controversy as to whether or not software should be freely transferable after a lawful first purchase, the license agreement is an effective method, at least in the Ninth Circuit, to restrict the resale of software. Apple’s successful enforcement of its software license agreement serves as a reminder that computer companies, mobile app developers, and other technology based companies should ensure that they have properly protected their copyrights from unwanted reproduction through conspicuous and restrictive license agreements.

Trade Secrets

Trade secret issues arise in most commercial contexts, not only when literally protecting a secret formula or recipe. Effective protection of trade secrets, as with other intellectual property, forces competitors to continuously innovate in order to maintain relevance with the public and gives companies a vehicle for fighting misappropriation of their property. The Uniform Trade Secrets Act (UTSA)⁴ defines “trade secret” as “information, including a formula, pattern, compilation, program, device, method, technique, or process, that (1) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” UTSA, § 1(4).

Whether information constitutes a trade secret depends, among other things, on the extent to which the company invests in its development, the steps taken to maintain its secrecy, and the justification for protecting the information from disclosure. *See, e.g., Mattel Inc. v. MGA Entertainment Inc.*, 782 F. Supp. 2d 911 (C.D. Cal. 2011). If a court determines that such information is a trade secret, it will then analyze whether or not it was improperly disclosed. The more stringent the steps taken to maintain the secrecy of a trade secret, the more likely it is that a court will agree that a defendant obtained the trade secret through improper means. *See, e.g., BondPro Corp. v. Siemens Power Generation Inc.*, 463 F.3d 702 (7th Cir. 2006).

One common method for protecting trade secrets is through noncompetition and nondisclosure provisions. Whether these provisions are independent agreements or part of an employment contract, they are useful tools for limiting the exposure of business secrets. Noncompetition and confidentiality provisions should be carefully drafted to limit employees’ ability to disclose trade secrets obtained from their employer. Noncompetition agreements must be limited in time and geographic scope (the extent to which such limitations are lawful depends on the area of expertise and jurisdiction), whereas confidentiality agreements may be broader. In a recent case, the Second Circuit explored what happens when an employee left his company to work for a competitor in violation of his noncompetition agreement but made substantial efforts to ensure that no trade secrets were disclosed to the new employer. *See IBM v. Visentin*, No. 11 Civ. 399(LAP), 2011 WL 672025 (S.D.N.Y. Feb. 16, 2011), *aff’d* 2011 WL 5289338 (2d Cir. 2011). Because of the departing employee’s significant efforts to implement safeguards to avoid disclosure of trade secrets to his new employer and co-workers, the Second Circuit affirmed the district court’s denial of a request for a preliminary injunction to enforce the noncompetition agreement.

Attorneys and entrepreneurs should know the answers to the following questions:

- What constitutes a trade secret?
- What steps need to be taken to maintain trade secrets?
- What acts might constitute misappropriation of information?
- What kinds of clauses should be included in employment agreements to best protect the company?

Attorneys and entrepreneurs may also use trade secrets strategically in marketing. Apple was extremely careful in controlling its message through secrecy. By releasing a few small details but maintaining high levels of secrecy for upcoming products, Apple generated a huge amount of anticipation across the world ahead of each release. Even Apple's worst kept secrets, such as details surrounding the recent announcement of the iPhone 4S, are vague enough to generate huge publicity prior to its release.

Innovations and Design

Constant innovation—whether in the form of a patentable invention or figuring out a more effective way to do a simple task—is the heart of a growing company and requires design thinking. In 2003, the *New York Times* interviewed Steve Jobs, two years after the release of the first iPod.⁵ The journalist noted that Apple had released the iPod with a \$400 price tag, even though it faced direct competition in the marketplace from a number of other digital music players.

How did the iPod become the best-selling digital music player and revolutionize portable music when it was far more expensive than similar products that were on the market already? One reason for the success of the iPod surely was its design—but not just the iPod's sleek look, although that was also a factor. Design refers to more than a modern and novel appearance. As Jobs explained to the *New York Times*, design is “not just what it looks like and feels like. Design is how it works.” Indeed, Apple has enjoyed its success not only because its products look good, but because its products work seamlessly, both alone and in harmony with one another.

Steve Jobs also understood the importance of quality over quantity. When he returned to Apple from Pixar in the 1990s, he reformed the company by, among other things, slashing the number of products being developed and focusing on a select few. This change enabled the company to trim the fat by channeling its resources to the best ideas and eliminating the rest. Despite Apple's focus on the best ideas, it still managed to amass 317 patents that list Steve Jobs as one of the primary inventors.⁶ These inventions include everything from the original computer frame that housed the first Macintosh to power adapters and

new versions of its operating system.

Entrepreneurs and innovators, and even attorneys, must learn how to “Think Different.” This famous Apple slogan was not only a memorable tagline, but Jobs' message about the importance of thinking outside of the box. As Gladwell observed, “Jobs insisted that he wanted ‘different’ to be used as a noun ... ‘It’s grammatical, if you think about what we’re trying to say. It’s not think *the same*, it’s think *different*. Think a little different, think a lot different, think differently.” “Think *differently*” wouldn’t hit the meaning for me.”⁷

Steve Jobs left us with many lessons—on business, marketing, technology, and how to live a fulfilling life in the face of death. But his lessons in intellectual property may well have passed you by, even though they are an integral part of the success of every Apple product and service. Whether a business is building itself from the ground up, reforming itself to become more competitive in an overcrowded marketplace, or simply looking to protect one little idea that just might turn out to be the next paradigm shift in its class, it is you, the company's attorney, who must understand how to use intellectual property law to protect and enforce the business owner's creativity to the fullest extent possible. **TFL**

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Endnotes

¹Tim Brown, *Definitions of Design Thinking*, Design Thinking (Sept. 8, 2008), available at designthinking.ideo.com/?p=49.

²Malcolm Gladwell, *The Tweakster: The Real Genius of Steve Jobs*, THE NEW YORKER (Nov. 14, 2011), available at www.newyorker.com/reporting/2011/11/14/111114fa_fact_gladwell.

³*I Cloud Communications LLC v. Apple Inc.*, Case No. 11-cv-01158 (D. Ariz. filed June 9, 2011).

⁴The UTSA has not been adopted by all jurisdictions, including but not limited to New York, New Jersey, and Massachusetts.

⁵Rob Walker, *The Guts of a New Machine*, N.Y. TIMES (Nov. 30, 2003), available at www.nytimes.com/2003/11/30/magazine/the-guts-of-a-new-machine.html?pagewanted=all&src=pm.

⁶*Steve Jobs's Patents*, N.Y. TIMES (Oct. 5, 2011), available at www.nytimes.com/interactive/2011/08/24/technology/steve-jobs-patents.html.

⁷*Supra* note 2.