

You've been served

Don't get caught off guard by an intellectual property rights infringement accusation claim **Interviewed by Heather Tunstall**

Launching a new product or implementing a new marketable idea can be an exciting time. You've invested time, labor and money into a promising project, and you're looking forward to the profitable outcome. But imagine if just days after you launch the product, you receive notification from a company claiming that you have infringed on their intellectual property rights. What happened? And perhaps more immediately important, what will happen next?

Whether it's for copyrights, trademarks, patents or trade secrets, if a company claims you have violated its legal rights, it is vital that you respond appropriately.

Smart Business learned more from Allan Anderson, a managing partner at Ropers Majeski Kohn & Bentley PC, about what to do if you infringe on another company's IP.



Allan Anderson
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What should you do if you've been accused of IP infringement?

The first notice that you're going to get is usually in the form of a cease-and-desist letter, and what you don't want to do is ignore that letter. You want to contact the person that wrote the letter to find out the facts surrounding the accusation.

If they send you a notification with a registered copyright or trademark attached to it and it appears that you might be infringing upon it, then you need to strongly consider what measures you can take to stop the offending activity. When you get a cease-and-desist letter, contact an attorney who specializes in IP to evaluate whether or not the mark that is being claimed to be violated is in fact a valid mark. You want to find out if the company has the registration, if it's been filed, if it's current, what the company is saying you're infringing upon, if you have a legitimate right to sell this product, etc.

Ultimately, you need to decide under the circumstances if this is something you need to fight, or if it's something you need to comply with. If it is legitimate infringement and you have no defense, then you should cooperate with the noticing party, discontinue any advertisement of the product, account for your sales and come to an agreement with the company.

The best way to deal with these situations is to immediately become involved and address the concerns of the person who is threatening to sue you. By completely ignoring it, it is not a situation that is going to get better with time.

What potential ramifications could you incur by infringing on IP?

On trademark in general, if it's found to be a willful violation, you could see penalties up to \$2 million. If it's found to be an exceptional situation, the company might be able to get attorney's fees from you. Otherwise, there are variations between \$1,000 and \$100,000 fines for infringements. Willful copyright infringement can cost you \$150,000 per infringement, but the midrange is about \$750 to \$30,000. Patent infringement is also a statutory situation, so you can incur fees as well as penalties. So, in evaluating these issues, you have to really make sure that the person that's telling you to cease and desist has valid IP rights to protect. After a cease-and-desist letter, they could possibly file a lawsuit and seek an injunctive relief — a court order preventing you from selling the product — which could basically shut down your business.

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What are your options if you're found to be in violation of IP rights?

If you've got a significant amount of inventory and they want you to return it or otherwise destroy it, sometimes you may just be stuck with it. But if you can cooperate early on, there are circumstances where perhaps the owner of the mark may be willing to grant you a limited license where they would allow a controlled sell-off, permitting you to sell the inventory that you have, but pay the mark-holder a certain amount of your profits to reimburse them for their IP rights.

You've got to look very carefully at the basis for the cease-and-desist letter, and the more immediately you respond to it, it gives you more options to try to resolve it or come up with a 'business solution.'

How can you avoid infringing upon IP rights in the first place?

Evaluate the background of all aspects of your product by checking for a potential violation. Research it heavily beforehand. There's the option to get something trademarked before putting it on the market by going through the Patent Trademark Office (PTO). There, you may find out there's a history of that mark already and you can't get it. But there are services available where you can research the history and see if there's a prior use or an existing mark that you might violate.

Sometimes it makes more sense to spend a little money in the beginning to avoid spending a lot of money later. They're usually not that expensive and that's a good source that you should refer to before going through the expense of launching a big product line that you might ultimately have to shut down simply because somebody didn't take the time to investigate whether it might be infringing upon someone else's rights. <<

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