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Ex Ante Intellectual Property Considerations for Small Businesses

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SANDERS: EX ANTE INTELLECTUAL PROPERTY CONSIDERATIONS FOR SMALL BUSINESSES

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ABSTRACT

Intellectual property plays a pivotal role in the daily lives of many individuals and businesses. However, the lack of intellectual property understanding, especially from smaller businesses, can be extremely detrimental to the overall operations of the business, particularly from a pecuniary standpoint. Designating intellectual property as ancillary, or non-essential, to the business can synthesize disastrous results. Through the utilization of a real-world case-study, this article attempts to retroactively apply intellectual property considerations, specifically geared toward trade secrets and trademarks/servicemarks, to help foster an understanding of intellectual property for small businesses ex ante.

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I. INTRODUCTION

What is intellectual property? In general, intellectual property is utilized as a blanket term for copyrights, patents, and trademarks (the dominating sub-categories of intellectual property). The preliminary definition of intellectual property, enumerated in the United States Constitution's Intellectual Property Clause, is "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[1] However, the Constitution's Intellectual Property clause is not the only source of American intellectual property. More traditional definitions of intellectual property merely capture the aforementioned subcategories.[2] Dictionary.com defines "intellectual property" as "property that results from original creative thought, as patents, copyright material, and trademarks."[3] However, intellectual property covers more than patents, copyrights, and trademarks; most notably, it incorporates "trade secrets" as well. A "trade secret" is defined as "a secret process, technique, method, etc., used to advantage in a trade, business, profession, etc."[4] Trade secrets act as a compliment to other forms of intellectual property, and especially for small businesses, may be the best way to protect valuable information from competitors.

Contingent upon the type of protection sought, intellectual property holders are invested with a series of duties, rights, and obligations relative to the intellectual property.[5] In general, with a

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[1] U.S. CONST. Art. 1, Sec. 8, Cl. 8.
[2] *Intellectual Property*, DICTIONARY.COM (2020).
[3] *Supra* note 2 (emphasis added).
[4] *Trade Secret*, DICTIONARY.COM (2020).
[5] *See generally* 35 U.S.C. §§ 1, *et seq.* (codification of patent rights in the United States); 17 U.S.C. §§ 100, *et seq.* (codification of copyright rights in the United States); 15 U.S.C. §§ 1051, *et seq.* (codification of trademarks in the

few consequential exceptions, these duties, rights, obligations, and, most importantly, protection, are not afforded to the individual or business that fails to obtain said intellectual property. Unfortunately, obtaining intellectual property (specifically for smaller businesses) is ancillary, potentially even non-essential, to the overall day-to-day operations. Notwithstanding, the question remains: "Why does intellectual property matter to small businesses?" Placing intellectual property on the backburner is a short-sighted mindset to have from the outset and could potentially expose any business to pecuniary risks down the line.

Consider the following case-study as indicative of intellectual property considerations (or lack thereof) by a small business acquisition.[6] Company X, a small-scaled cookie operation that utilizes a secret recipe to bake one type of cookie and markets via Facebook, word-of-mouth, and, of course, a customer list, is looking for a potential, outright buyer. Individual A approaches Company X regarding the outright purchase of the cookie operation and makes an arbitrary offer of $10,000. Negotiations ensue, in which intellectual property rights are not discussed. Fair enough. To the intellectual property novice, this scenario, thus far, has not presented an opportunity for intellectual property to make an appearance. The parties eventually reach a finalized price of $15,000. A sales agreement, devoid of any mention of intellectual property, is subsequently drafted and executed, and Individual A has "successfully" purchased a small-scale cookie operation.

There are several areas of intellectual property concern regarding the aforementioned case-study. First, the negotiations were severely affected by the exclusion of intellectual property considerations. Did Individual A negotiate for the potential intellectual property, including the customer list (trade secret), the recipe (trade secret), the businesses name (trademark), and any logo associated with the company (trademark, potentially

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United States; referred to as the "Lanham Act"); *see also generally* the Digital Millennium Copyright Act of 1998 (DMCA), 112 Stat. 2860, for updated copyright projection surrounding technological improvements).

[6] The case-study and subsequent analysis are real-world events. The author has kept the various parties' names anonymous, per the request of all individuals and business entities involved.

copyright)? Did Company X leverage the aforementioned potential intellectual property in order to secure a higher price?

Second, the sales agreement is fundamentally deficient. In a hypothetical scenario, what if Company X wants to retain control of the customer list? The business name? The associated logo? The sales agreement is silent on the intellectual property rights, and, most realistically, contentious re-negotiations would ensue. If the parties could not reach an agreement, litigation would be the likely recourse. However, all of this could be avoided if the parties were cognizant of intellectual property considerations ex ante. Company X would have leveraged their intellectual property rights for a better deal (monetary wise). In turn, Individual A would have included the transfer of the intellectual property, and any proprietary rights in the finalized sales agreement.

The remainder of this article attempts to provide comprehensive guidance for obtaining, maintaining, and enforcing intellectual property to small businesses, with a particular emphasis on the potential detriments of ignoring intellectual property, in a cogent manner. Section II of this article begins by defining both the Uniform Trade Secrets Acts and the Defend Trade Secrets Act of 2016, and their respective rights associated with trade secrets. The section then transitions into a few examples of high-profile trade secret misappropriation lawsuits, which should inform the reader of the inherent economic value of trade secrets. Section II concludes with an integration of trade secrets into the case-study articulated in the Introduction section.

Section III of this article statutorily defines trademarks, via the Lanham Act, and includes several key provisions therein. The section then shifts focus to the formalistic requirements of obtaining a federal trademark, including the various steps in trademark prosecution. Next, the section again highlights the economic value of trademarks via the utilization of high-profile trademark cases. Lastly, Section III integrates trademarks into the aforementioned case-study, particularly highlighting the deficiencies of the negotiation process and the finalized sales agreement.

Section IV of this article concludes by giving a general admonishing warning to all small businesses that the intentional or unintentional disregarding of intellectual property can be disastrous to the financial operations and concludes with general considerations of the types of questions that need to be asked surrounding intellectual property.

II. TRADE SECRETS

a) Uniform Trade Secrets Act and Defend Trade Secrets Act of 2016

As previously mentioned, a trade secret, broadly defined, is "a secret process, technique, method, etc., used to advantage in a trade, business, profession, etc."[7] However, the legal definition of a trade secret is governed by the Uniform Trade Secrets Act, which was enacted in 1979 and amended in 1985.[8] Recognizing that a substantial number of patents were being invalidated and businesses were subsequently attempting to protect their intellectual property via trade secrets, the Uniform Law Commission attempted to harmonize trade secret law in the United States by publishing the Uniform Trade Secrets Act (UTSA).[9] 47 states, and the District of Columbia, have adopted some version of the UTSA.[10] Section 1 of the UTSA, entitled "DEFINITIONS" defines a trade secret as:

> information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
>
> (i) derives independent economic value, actual or potential, from not being generally

[7] *Supra* note 4.
[8] *Trade secret*, LEGAL INFORMATION INSTITUTE (April 10, 2020), available at https://www.law.cornell.edu/wex/trade_secret; *see also Trade Secrets Act*, UNIFORM LAW COMMISSION, available at https://www.uniformlaws.org/committees/community-home?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792.
[9] *See* Uniform Trade Secrets Act, PREFATORY NOTE, (amended 1985).
[10] *Supra* note 8.

> known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
>
> (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.[11]

One of the most important protections afforded via the UTSA is against trade secret misappropriation. The UTSA defines misappropriation as either: (1) the "acquisition of a trade secret by another by a person who knows or has reason to know that the trade secret was acquired by improper means"; or (2) "disclosure or use of a trade secret of another without express or implied consent..."[12]

There are several remedies against misappropriation supplied through the UTSA. First, there is injunctive relief pursuant to Section 2(a).[13] More importantly, however, there are associated damages.[14] The UTSA states that "a complainant is entitled to recover damages by misappropriation," which can include, "both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss."[15]

Another important piece of legislation governing trade secrets is the Defend Trade Secrets Act of 2016 (DTSA).[16] Signed by President Obama, the DTSA allows "an owner of a trade secret that is misappropriated [to] bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commence."[17] With the technological boom, especially advertising on Internet-based

[11] Uniform Trade Secrets Act, Section 1(4), (amended 1985).
[12] *Id.* at Section 1(2); *see also Id.* at Section 1(1), which defines improper means as "theft, bribery, misrepresentation, breach or inducement of breach of a duty to maintain secrecy, or espionage through electronic or other means."
[13] *Id.* at Section 2(a), "Actual or threated misappropriation may be enjoined."
[14] *Id.* at Section 3.
[15] *Ibid.*
[16] *See generally* 18 U.S.C. § 1836.
[17] 18 U.S.C. § 1836(b)(1).

websites, more and more small businesses can meet the requirements of interstate or foreign commence to have standing to sue in federal court for trade secret misappropriation.

b) Formalistic Requirements for Trade Secret Protection

There are no formalistic registration requirements for a trade secret. As long as it falls under the statutory language of the Uniform Trade Secret Act (or that state's equivalent), then a court is likely to categorize the information, process, formula, etc. as a trade secret. However, as this article will subsequently explore, there are several steps that small businesses should take in order to secure their potential trade secrets.

c) Court Cases Surrounding Trade Secrets

If properly maintained, the protection of a trade secret through the aforementioned Acts is stringent and the potential monetary damages in a trade secret misappropriation lawsuit are staggering. For example, a jury trial awarded a verdict of $4,795,300.00 in *Ice Corp. v. Hamilton Sundstrand Corp*.[18] The District of Kansas Court in *Ice Corp.* affirmed a jury verdict of approximately $4.8 million in a trade secret misappropriation lawsuit involving proprietary aircraft components information improperly procured and utilized by a competitor.[19]

In another high-profile example, a Federal Circuit Court of Appeals affirmed a jury verdict of approximately $26 million.[20] The United States Courts of Appeals for the Fifth Circuit in *Wellogix, Inc. v. Accenture, L.L.P.* affirmed a jury verdict of $26.2 million in compensatory damages and $18.2 million in punitive damages in a trade secret misappropriation claim involving computerized code designed for the oil and gasoline industry.[21] Plaintiff, Wellogix, Inc., developed software that allowed oil

[18] *Ice Corp. v. Hamilton Sundstrand Corp.*, 615 F. Supp. 2d 1256, 1258 (D.Kan. 2009).
[19] *Id.* at 1258.
[20] *Wellogix, Inc. v. Accenture, L.L.P.*, 716 F.3d 867, 874 (5th Cir. 2013).
[21] *Id.* at 872-74.

companies to plan, procure and pay for estimates on certain well constructions.[22] Defendant, Accenture, L.L.P., accessed Wellogix's confidential information, including flow diagrams, design specifications, and source code, to help develop competing complex computerized services.[23] The Fifth Circuit affirmed the lower court's finding that these materials constituted a trade secret, and ultimately affirmed the steep compensatory and punitive damages (totaling over $40 million) on the bases of trade secret misappropriation.[24]

d) Case-Study Considerations

With the sheer amount of protection, and potential liability/pecuniary value, it is clear why businesses work hard to protect/enforce their trade secrets. The question still remains: What can I do to protect my trade secret(s)? The first step in protection is drafting a non-disclosure agreement. A non-disclosure agreement (NDA), in the most basic sense, will generally outline all the proprietary information that a company has and include language stating that this information is to remain confidential. A typical NDA will stipulate that the information should also not be discussed, utilized in any fashion (i.e., a competitive manner), and that the business entity retains the sole ownership of any such proprietary information.

The next step in protection is determining who should execute the NDA. The most obvious answer is any and all employees or agents that are employed or otherwise work for the company. These are the individuals with daily access (either actual or potential) to the proprietary information, and these individuals are in the best position, unfortunately, to misappropriate said proprietary information. Although less obvious, small businesses should be advised that they should have external individuals sign the NDA as well. This includes, but is certainly not limited to, any person/entity that the company is negotiating a deal with and that needs access to the company's information, any financial

[22] *Id.* at 872-73.
[23] *Id.* at 873.
[24] *Id.* at 886.

advisor/accounting firm that has access to the company's financials, and any person/entity that the business is working in conjunction with. Although this may seem excessive, it is better to have executed the NDA and not need it, than to have a business' trade secrets "misappropriated" and have no legal protection in place.

A counterpart to the non-disclosure agreement is the non-compete agreement. Unlike the NDA, the non-compete agreement stipulates that any former employee may not: (1) utilize the specific information he/she learned while at the company; (2) compete directly (i.e. the same field of operation) against the business for a specific time period and geographical region; and (potentially) (3) leave for a competing business for specified amount of time. Specifically designed for employees, often times the NDA and the non-compete agreement can be executed in conjunction with one another and therefore adds an extra layer of protection against potential trade secret misappropriation.

As previously mentioned, the cookie business case-study did not consider trade secrets in either the negotiation process or the finalized sales agreement. Focusing first on the negotiations, Individual A, when first approaching Company X, should have inquired about the cookie recipe. First: "Is the recipe proprietary?" If the answer is in the affirmative, then it may be subject to trade secret protection, contingent upon additional questions. How is the recipe written down and how is it stored? Who has access to the recipe? Did these individuals with access to the recipe sign a non-disclosure agreement and a non-compete agreement? This same set of questions can be applied to the customer list (which may also be subject to trade secret protection). Where is the list compiled? Was the listed ever distributed, either purposefully or accidentally? Who has access? Are they under an obligation to keep it confidential?

If Company X has complied with these requirements, then the cookie recipe and the customer list are most likely trade secrets. Subsequently, Company X should leverage this for a higher price in the negation process. With proper intellectual property considerations, Individual A will be willing to pay this potentially higher price for the trade secrets. Alternatively, if

Company X has not complied with the aforementioned requirements, then Individual A has two options: (1) leverage this lack of protection for a lower price; or (2) walk away from the table. Although troubling to hear, with the lack of trade secret protection, especially for something as integral as the cookie recipe, Individual A may not be willing to undertake an acquisition of Company X.

Shifting focus onto the finalized sales agreement, Individual A should have included a clause/section specifically outlining the transfer of the information potentially subject to trade secret protection. Additionally, Individual A might have wanted to include a provision in the sales agreement that prohibits Company X from utilizing the proprietary information. Alternatively, Individual A could have had Company X execute a non-disclosure agreement immediately following the execution of the sales agreement. Moreover, post-acquisition of the cookie business (given that the trade secrets are protected), Individual A must implement proper mechanisms to protect such valuable information via the utilization of NDAs and non-compete agreements.

III. TRADEMARKS AND SERVICEMARKS

a) The Lanham Act

As an initial matter, this article will be limiting its focus specifically to federally registered trademarks and servicemarks. Notwithstanding, there are state rights associated with registered and nonregistered trademarks and servicemarks. The following footnote will supply the reader with a helpful link to a website that can provide salient information on state trademark and servicemark law.[25]

[25] *State Trademark: Everything You Need to Know*, UPCOUNSEL (November 3, 2020), available at https://www.upcounsel.com/state-trademark.

Federal trademarks are governed by 15 U.S.C. §§ 1051, *et seq.*, commonly referred to as the Lanham Act.[26] The Lanham Act defines a trademark as:

> any word, name, symbol, or device, or any combination thereof – (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her good, including a unique product, from those manufactured or sold by others, and to indicate the source of the goods, even if that source is unknown.[27]

Under the Lanham Act, a plaintiff need not have a registered mark in order to file suit for trademark infringement.[28] In order to succeed on a trademark infringement lawsuit, for either a registered or unregistered mark, the plaintiff must show: "(1) the plaintiff has a valid and legally protectable mark; (2) the plaintiff owns the mark; and (3) the defendant's use of the mark to identify goods or services causes a likelihood of confusion."[29]

It is important to note that individuals may utilize the "™" symbol for their trademarks, or the "℠" symbol for their servicemarks (which identifies and distinguishes the source of a service rather than goods) without registering their mark. Once federally registered, the individual may utilize the "®" symbol for their trademark or servicemark.[30] Moreover, there are other

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[26] *See generally* 15 U.S.C. §§ 1051, *et seq.*; *see also Lanham Act*, LEGAL INFORMATION INSTITUTE (last visited April 10, 2020), available at https://www.law.cornell.edu/wex/lanham_act.
[27] 15 U.S.C. § 1127(1)-(2).
[28] *See generally* 15 U.S.C. § 1125(a).
[29] *See* 15 U.S.C. § 1114; 15 U.S.C. § 1125(a); *Lanham Act*, LEGAL INFORMATION INSTITUTE (last visited April 10, 2020), available at https://www.law.cornell.edu/wex/lanham_act.; and *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198 (3rd Cir. 2000) (enumerating, in case law, the aforementioned factors).
[30] *Protecting Your Trademark: Enhancing Your Rights Through Federal Registration*, USPTO (February 2020), available at https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf.

advantages to obtaining a federal trademark, including: the legal presumption of the ownership of the mark; getting the mark listed in the publicly available USPTO's online database; the ability to bring an action in federal court; and the use of the U.S. registration to potentially obtain foreign protection.[31]

b) Formalistic Requirements for Trademark Protection

As previously mentioned, one does not need to register their trademark or servicemark to receive protection via the Lanham Act. Notwithstanding, this section of the article will outline the process by which one receives a federally registered trademark or servicemark. As of February 15, 2020, all federal trademark applications must be filed online utilizing the Trademark Electronic Application Systems (TEAS).[32] The TEAS Standard ($350 per class of goods or services) and the TEAS Plus ($250 per class of goods or services) applications differ only by the amount of information that must be initially provided.[33] If a trademark or servicemark applicant is domiciled in the United States, then a U.S. Attorney does not need to prosecute the application.[34]

In order to receive a filing date, the application must include: the applicant's name and entity type, the applicant's address, the applicant's e-mail address, the attorney's name and postal/email addresses (if applicable); a depiction of the mark (i.e., the drawing of the mark); and the respective goods or services and the appropriate filing fee.[35] In addition, the applicant must state their basis for filing, which can either be "in-use" (i.e., already utilized in interstate commerce) or "intent-to-use" (i.e., intending to be utilized in interstate commerce), which must be substantiated

[31] *Supra* note 30.
[32] *Supra* note 30.
[33] *Supra* note 30.
[34] *Supra* note 30.
[35] *Protecting Your Trademark: Enhancing Your Rights Through Federal Registration*, USPTO (February 2020), available at https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf.

by a specimen (which effectively serves as an example of the use of the mark in interstate commerce).[36]

Approximately three months after submission, the trademark or servicemark application will be assigned to an examining attorney and she will determine if the application is ready for publishing, and issue a "Notification of Notice of Publication", or issue an office action.[37] An office action stipulates to legal reason or reasons why the application is not in condition for publication.[38] Typical rejections include a likelihood of confusion with another mark(s), the application is merely a descriptive mark, or the application is merely a generic mark.[39] The applicant must reply to an office action within six months.[40] Once the rejection has been overcome, the mark will be published in the Official Gazette, at which time the general public has 30 days to object to the mark.[41] If no objections are made, the United States Patent and Trademark Office (USPTO) (in approximately 11 weeks) will issue a Registration Certificate.[42]

Maintenance fees and filings must be made between the 5th and 6th year of the registration date, substantiating that the mark is still being utilized in interstate commerce.[43] Trademark or servicemark rights are indefinite, so long as the owner keeps satisfying the maintenance requirements.[44] The successful receipt of a federally registered trademark or servicemark places an affirmative obligation on the mark owner to police the mark.[45] These affirmative obligations include making sure no one is

[36] *Supra* note 35.
[37] *Supra* note 35.
[38] *Supra* note 35.
[39] *Supra* note 35.
[40] *Protecting Your Trademark: Enhancing Your Rights Through Federal Registration*, USPTO (February 2020), available at https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf.
[41] *Supra* note 40.
[42] *Supra* note 40.
[43] *Supra* note 40.
[44] *Supra* note 40.
[45] *Protecting Your Trademark: Enhancing Your Rights Through Federal Registration*, USPTO (February 2020), available at https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf.

utilizing the mark in an infringing manner, and making sure to resolve any said infringement/substantially similar marks.[46]

c) Court Cases Surrounding Trademarks

The lengthy and expensive process of trademark or servicemark prosecution, along with the affirmative obligation to police said mark, generates high-profile trademark lawsuits. For example, a United States District Court calculated damages to be approximately $3.3 million in *Symantec Corp. v. CD Micro, Inc*.[47] The District of Oregon Court in *Symantec Corp.* determined that the appropriate amount of damages in a situation in which the defendant, CD Micro, Inc., was selling counterfeited computer security software, which constituted trademark infringement, was the disgorgement of $3,334,535.00 in profits.[48] Moreover, with the defendant's alleged willful intent to commit said infringement, the District Court Judge trebled the damages, pursuant to the Lanham Act, to a staggering $10,003,605.46.[49]

A more recent trademark infringement case came in 2018 in *Yah Kai World Wide Enterprises, Inc. v. Napper*.[50] In a decision rendered by the United States District Court for the District of Colombia, the plaintiff, Yah Kai World Wide enterprises, Inc., owned and operated a vegan food service business entitled "Everlasting Life Health Complex" with the associated trademark "Everlasting Life."[51] The defendant, Napper, once a former member of the "Everlasting Life Health Complex" left and started his own competing foodservice business entitled "Everlasting Life Restaurant and Longue."[52] A trial found Napper liable for, inter alia, trademark infringement in contravention of the Lanham Act.[53]

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[46] *Supra* note 45.
[47] *See Symantec Corp. v. CD Micro, Inc.*, 286 F.Supp.2d 1278, 1282 (D.Or. 2003).
[48] *Id.* at 1280.
[49] *Id.* at 1282.
[50] *Yah Kai World Wide Enterprises, Inc. v. Napper*, 292 F.Supp.3d 337 (D.D.C. 2018).
[51] *Id.* at 342-43.
[52] *Id.* at 343.
[53] *Ibid.*

The District Court Judge ultimately found that the plaintiff was entitled to recover:

> (1) the profits that Napper generated (i.e., the Restaurant's gross sales minus its expenses) in connection with his operation of the Restaurant during the period of his infringing use of the ''Everlasting Life'' trademark—which amounts to $1,856,144 (2) their actual damages for Napper's seizure of their business and operation of that entity under the trademarked name ''Everlasting Life,'' which total $545,407.[54]

These are but two of the real-world examples of trademark infringement and are indicative of the type of intrinsic value a trademark or servicemark can supply for a business.

d) Case-Study Considerations

As clearly shown, the value of a federally registered trademark or servicemark can be quite high. Integrating the case-study, we see that both the negotiations and the finalized sales agreement between Individual A and Company X were completely devoid of trademark or servicemark discussions. In an idealistic scenario, Individual A, when initially approaching Company X about the acquisition of the cookie business, would have inquired about whether Company X had any state or federally registered trademarks. If the answer was in the affirmative, Company X would have leveraged this intellectual property for a higher price. Individual A, understanding the inherent value added via the trademark, would have been willing to pay a higher price to subsequently acquire the trademark. However, if the answer was in the negative, Individual A would, once again, have two options: (1) leverage the lack of trademark registration to acquire a lower price; or (2) walk away from the table. Individual A may not be willing to acquire a business with lack of trademark protection/being potentially exposed to trademark infringement.

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[54] *Yah Kai World Wide Enterprises*, 292 F.Supp.3d at 354.

Moreover, Individual A (for fear of litigious action) may have to rebrand the business completely, which would be a very expensive endeavor, and would certainly factor into the ultimate acquisition decision.

Additionally, in the negotiation process, Individual A should have made several inquiries regarding potential trademarks or servicemarks, including: "Has Company X ever filed for a state or federal trademark?"'; "Has Company X, or any of its employees or agents, conducted a comprehensive trademark search?"; "Can Company X meet the requirements of interstate commerce?"; "Has Company X ever been notified that they are infringing on someone else's trademark or servicemark?" All of the aforementioned questions can potentially be leveraged in securing a lower price for Individual A.

Transitioning to the finalized sales agreement, assuming arguendo that Company X does have a federally registered trademark, Individual A should include several salient provisions in the sales agreement. As a general matter, assignments of a trademark or servicemark are governed by § 1060 of the Lanham Act.[55] The first important section to include in the sales agreement, pursuant to 15 U.S.C. § 1060(a)(3), shall be the proper assignment, in writing, of the trademark from Company X to Individual A.[56] This provision ensures that the assignment has been properly executed and is in compliance with the Lanham Act.

The second important provision to add is the obligation of a designated party, presumably Individual A, to record the aforementioned assignment with the USPTO. Pursuant to the same section, "[a]cknowledgment shall be prima facie evidence of the execution of an assignment, and when the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office, the record shall be prima facie evidence of execution."[57] Moreover, Individual A must inquire about the latest

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[55] *See generally* 15 U.S.C. § 1060 ("A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark").
[56] 15 U.S.C. § 1060(a)(3).
[57] *Supra* note 56.

maintenance fees and filings made by Company X, and must also be cognizant of the fact that the trademark protection only extends for as long as the mark is being utilized in interstate commerce.

IV. CONCLUSION

Intellectual property can be confusing, particularly from the standpoint of an individual/business entity that is not subject to it on a daily basis. Notwithstanding, as previously laid out, disregarding intellectual property, whether it be intentionally or unintentionally, can be cataclysmic to a small business. For starters, it can expose the business to pecuniary liability, as evidenced by the aforementioned cases. Secondly, it can affect business negotiations, agreements, and acquisitions to the point of total disruption. Intellectual property considerations ex ante, however, can mitigate most of these concerns and can provide assurance to a small business.

Lastly, it should be noted that all small business, regardless of their operation, should be cognizant of intellectual property. As we have seen, even a cookie business, that is ostensibly as far removed from intellectual property as possible, still must significantly consider intellectual property on a daily basis. Therefore, small business must take extra steps in order to fully appreciate intellectual property. To that extent, this includes, but is certainly not limited to, asking the types of questions mentioned in this article, and subsequently employing protective measures in order to preserve their intellectual property rights. Small businesses that are particularly conscious of intellectual property will most likely prosper.