

# Trademarks, Age, Licenses

## 1. Trademarks

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**Q:** Another company is using my registered trademark without my permission. The company is only a small mom-and-pop operation. Is it worth the time and expense to prevent their use of the mark?

**A:** Absolutely. Trademarks are valuable assets, so you definitely should take steps to protect them. A simple cease-and-desist letter often solves the problem. However, sometimes filing suit is necessary to stop the infringement. Also, if you do not take action now, then you risk losing your ability to recover damages in the future from this company, and possibly other infringers, for failing to enforce your marks.

**Q:** I want to sue an offshore Internet company for trademark infringement, but I can't find its physical office to deliver the complaint. Will I be able to serve the company with the suit, or is my only option to give up on the case?

**A:** Don't give up hope. There are several ways to serve your complaint, either in the U.S. or abroad. In fact, a federal appellate court recently permitted a U.S. trademark holder to serve a Costa Rican company by e-mail. If the infringer's operations are primarily Web-based, then e-mail service could be your best bet.

## 2. Age discrimination

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**Q:** We are concerned about age discrimination problems. Any suggestions?

**A:** High-technology businesses have been hit with a barrage of charges alleging age bias in hiring and firing. These charges are being filed by employees as young as

40, and in some states even younger. The popular perception (i.e., the perception of the jury pool) is that high-tech firms prefer younger, more willing, and less expensive employees. Prudent firms can take many steps to protect themselves, such as releases, arbitration agreements, internal review procedures, and, most important, a well-run human resource function.

## 3. License

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**Q:** I would like to license my technology, but I'm uncertain about whether the licensee company will be successful. How do I protect my technology against the possible failure of my licensee's business?

**A:** The continuance of the license can be made contingent upon the licensee meeting periodic milestones, or the license can be automatically terminated if the licensee becomes insolvent. See your advisor for further details.

## 4. Intellectual property

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**Q:** Does a company own all of the work created by the people who work for it?

**A:** No, not always. Typically, employers automatically own employees' work product when it is created within the scope of their employment. Patent rights usually do not belong to it, as a separate agreement to transfer ownership is needed. If there is no transfer, the results can be problematic when the employee terminates employment. Consultants are treated differently from employees; if there is no written transfer for inventions or copyrights, the consultant may be presumed to be the owner of both.



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## 5. Personal liability

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**Q:** I am an officer of a financially troubled company with operations throughout the U.S. Can I be held personally liable for wages if the company can't meet its payroll?

**A:** Possibly. Some states impose personal, civil, or even criminal liability on officers who knowingly fail to pay employees wages on payday. Additionally, unlike the Worker Adjustment and Retraining Notification Act (1988), which does not impose individual liability on officers, some state plant closings may impose such liability. Officers liquidating a corporation should therefore consult an attorney.

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**Q:** In difficult financial times, are duties owed by directors and officers to a corporation's creditors?

**A:** Although directors and officers of a corporation continually owe fiduciary duties to the corporation and its shareholders, certain fiduciary duties may be owed to creditors of corporations that have financial problems. When a corporation is insolvent or on the verge of insolvency, its directors and officers become fiduciaries of the cor-

porate assets for the benefit of the creditors. Thus, a director or officer of a financially troubled corporation must take actions that are consistent with the duty of loyalty owed to the company, its shareholders, and its creditors.

## 6. Income tax

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**Q:** Are there gift tax advantages to forming a family limited partnership (FLP)? Why do the value of my assets decrease just because they are owned by an FLP?

**A:** If a building is worth \$1 million, would a knowledgeable buyer pay \$250,000 for a 25% interest in the FLP that owns the building? Because of restrictions often included in the FLP agreement, a limited


partner has no control and cannot sell his interest without offering it to the other partners first. This lack of control and lack of marketability decrease economic value. Use caution: an experienced attorney can guide you through the Internal Revenue Service hoops.

## 7. Stock options

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**Q:** What traps for the unwary exist for employees exercising incentive stock options (ISOs)?

**A:** One of the major tax benefits provided by ISOs is the deferral of income recognition until the sale of stock. While most taxpayers are aware that they are not

required to recognize *regular* income tax upon the exercise of an ISO, most are unaware that the exercise may possess alternative minimum tax (AMT) implications. For AMT purposes, the favorable tax treatment afforded ISOs is disregarded. Consequently, many company employees are often shocked by (and unprepared to pay) the AMT liability generated by the exercise of ISOs. 

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