

THE BKGG BULLETIN



BKGG Lawyers Counsel Industry On Brand Protection

Brand protection was the hot topic at the Action Sports Retailer's January 2008 tradeshow in San Diego. BKGG was a proud sponsor of the three-day tradeshow where surf and skate related companies debut their newest wares. In fact, BKGG lawyers Eric Goodman and Amanda McLaughlin conducted an interactive workshop on proven methods of brand protection for industry leaders.



Seminar topics included trademark clearance, registration, copyright protections, international distribution, license agreements, sponsorships, endorsement deals and enforcing intellectual property rights. While virtually all businesses have important issues of protecting their brands, the problem of counterfeits may be most acute in the trend-setting surf and skate apparel industry.

Contact Eric Goodman at egoodman@bkgglaw.com for expert advice on protecting your valuable brand.

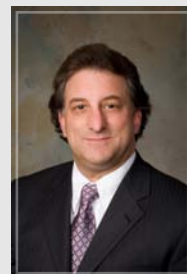
New Faces

The Litigation Department welcomes **Casey T. Young**. Casey, a second year litigation associate, joined BKGG in October 2007. Prior to joining BKGG, Casey was in private practice in Northern California, where he won two jury trials during his first year of practice.



The Intellectual Property Department welcomes **Nicholas Myers** as a first year associate. Prior to joining BKGG, Nick worked for the RIAA's legal department enforcing piracy with the music industry.

The firm also welcomes **Thomas G. Kelch** as Bankruptcy "Of Counsel". In addition to being a practicing attorney, Tom is a tenured professor at Whittier Law School and published author of legal texts. Tom will continue to teach at Whittier Law School while bringing with him to BKGG a tremendous amount of bankruptcy and commercial law expertise.



IN THIS ISSUE

[BKGG Extends Jury Trial Win Streak
New Vulnerabilities to Trademark Registrations](#)
page 2

[Lawsuit Charged COSTCO With Selling Counterfeits](#)
page 3

[Corporate Corner: Time for a Corporate Checkup?](#)
page 4

BKGG Extends Jury Trial Win Streak

BKGG recorded two more favorable jury trial wins since the last newsletter. On January 30, 2008, **Zachary Smith** and **Alton Burkhalter** earned a defense decision on behalf of All-Pro Baltimore Ravens defensive back, **Chris McAlister**. In that first phase of a bifurcated trial, McAlister was accused of breaching an agreement to host a television series. Later this year, BKGG will complete the trial by enforcing McAlister's rights to the return of his investment plus attorneys' fees.

The McAlister win follows Alton Burkhalter's impressive \$12.2 million verdict for **Ramsell Corporation** and **Sylester and Helen Flowers** following a nine week jury trial in Oakland. In addition to winning on the Complaint, Alton successfully defeated the Defendant's cross-complaint for sexual harassment. In that trial, the former Chief Financial Officer embezzled over \$5 million. The Ramsell verdict is Alton's third "eight figure" jury trial win.

New Vulnerabilities to Trademark Registrations

Of late, a new trend in trademark law has emerged which has the possibility to be both a superb litigation tool and a worrying vulnerability to your registration. In order to obtain a trademark registration, the applicant must attest that they are using the mark in commerce on or in connection with those goods or services listed in the application. Often times, when applying for a mark that an applicant is not yet using, the goods or services set forth on the application are intentionally broad to allow the applicant some flexibility in moving forward with their business. The problem arises when the applicant starts using its mark for only some of the goods or services stated on the application, but submits its evidence of use and also states that the mark is being used for everything listed. This common mistake has been deemed fraud and allows third parties to step forward and later cancel the registration on that basis. For that reason, it is crucial that you closely review the goods and/or services set forth on your application prior to submitting your evidence of use and

inform us if there are items that need to be deleted due to the lack of use of your mark with such goods or services. For applications filed on an intent-to-use basis, we routinely notify you that your application has been approved for registration and evidence of use must be filed. Please bear in mind the issues with fraud when you receive this letter and, if necessary, contact us.

This trend can work in your favor. Older applications often have very expansive recitations of goods or services. Thus, in the event of a trademark dispute, we will review any registrations at issue and identify whether this grounds of cancellation may be used against the opposing party. If applicable, the possibility of cancellation is usually a highly successful means of negotiating in your favor.

Should you wish to discuss this or any other trademark or copyright matter, please contact Amanda McLaughlin at (949) 975-7500 or at amclaughlin@bkgglaw.com.



Lawsuit Charged COSTCO With Selling Counterfeits

After a year of litigation, and just before the start of trial, Costco Wholesale, Inc. and their co-defendants agreed to settle a lawsuit brought by Cao Yong, an internationally celebrated artist represented by BKGGLaw. The suit accused the retail giant of selling counterfeit paintings. "At a time when great attention is being placed on counterfeit goods coming from China, it's rather ironic that an American icon like Costco would be charged with selling counterfeit paintings that infringe on a world-renowned Chinese artist," says partner Eric Goodman.



The case also alleged infringement of Cao Yong's registered trademark by placing his logo on counterfeit Certificates of Authenticity. Finally, Cao Yong alleged misappropriation of his right of publicity claiming his signature on the paintings was forged and his name and image were used on certain packaging without his consent. These allegations are in violation of both federal and state statutes for trademark infringement, misappropriation of his right of publicity and unfair competition.

As a young art student during communist Chinese's Cultural Revolution, he faced constant persecution. Having spent several years in Tibet, Cao Yong became the youngest art professor at Tibet University. During this time, he immersed himself in the study of prehistoric cave paintings in Tibet. In his recent artwork, Cao Yong has captured not only the beauty of France, Italy, Hawaii and other picturesque locales, but also the true spirit of America in his limited edition works of Freedom and We the People, both of which were dedicated to United States heroes. His newest work, entitled Voice of the East, will be part of the Olympic celebration in China for Summer 2008 (as shown on the right).



While cases like Cao Yong's often result in litigation, obtaining a meaningful monetary recovery often depends on whether the claimant took steps to properly register the copyright at issue. Under federal law, statutory damages for

willful infringement of a registered copyright may result in damages of \$150,000 per infringement. Without timely registration however, damages may be limited to lost profits. Here, Cao Yong was diligent in obtaining registration for his paintings with the U.S. Copyright Office.

After multiple news reports on the matter, and on the eve of the Los Angeles Times running an article about the case, Costco agreed to



settle the lawsuit. Customers that unknowingly purchased a fake Cao Yong from Costco are being instructed to return the fake paintings for a full return. As for the artist, he is happy with the settlement, the terms of which are confidential.

The fact the Cao Yong solidified his rights by registering his intellectual properties greatly enhanced his potential recovery from would-be infringers. Considering such an enormous upside to having timely copyright and trademark registrations, the minimal cost for the application process proves to be a great investment.

If you have any questions on the many benefits of registering your intellectual properties, please do not hesitate to contact Eric Goodman at egoodman@bkgglaw.com.

Time for a Corporate Check-Up?

Nobody likes taking time for any kind of check-up and the same is probably true for you and your company. However, answering the following questions about your company could save you a lot of time, money and inconvenience later on:

1 Are your corporate minutes up to date?

One of the most important corporate formalities is keeping appropriate corporate records. At a minimum, this entails keeping minutes of your company's annual meetings of shareholders and directors (at which, respectively, your directors and officers are elected). You should also maintain corporate resolutions approving major business decisions that are not made in the ordinary course of your business, e.g., leasing business premises or vehicles, making major capital expenditures or borrowing money. Ignoring these simple formalities can, in certain circumstances, put a company's shareholders at risk of being held personally liable for company debts.

2 Have you issued your employees an Employee Handbook?

A well-written Employee Handbook is an essential document for any company with more than a handful of employees, not just large companies. Among other things, it gives guidance to your employees on your company's employment practices and can prevent costly misunderstandings about pay and company benefits.

3 If your company has recently moved, did you notify the California Secretary of State by filing a Statement of Information with your updated address?

This is the only way to officially notify the State of California that your corporate address has changed, using your new address on your company's California income tax return is not sufficient. If you failed to file a Statement of Information with your new address because you never received the form, this could result in your company being suspended. You can check your company's address and status on line at <http://kepler.ss.ca.gov/list.html> and, if necessary, you can either download a form to file or file one online. You should also ensure that you have timely paid your company's annual franchise taxes. All corporations and LLCs in California must pay the Franchise Tax Board at least a minimum annual franchise tax of \$800, regardless of income, or risk being suspended. **WARNING:** Several unscrupulous companies routinely send out forms with official-sounding titles like "**ANNUAL MINUTES DISCLOSURE FORM**," which are designed to closely resemble the Secretary of State's official Statement of Information. These forms are scams and if you receive such a form you should ignore it.

4 Are you taking reasonable steps to protect your company's confidential information?

As well as having all your employees sign suitable agreements prohibiting them from using your company's confidential information and soliciting your customers after their employment with your company has finished, you should also regularly review your company's practices and procedures for safeguarding this information. Our Fall 2006 newsletter, (available online at <http://www.bkgglaw.com/newsletters/Nov2006Bulldog.pdf>) provides numerous suggestions on ways to accomplish this.

Please contact Greg Clement at (949) 975-7500 or gcclement@bkgglaw.com if you would like to discuss, or would like assistance with any of the issues discussed in this article.



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