

# PERSPECTIVES

SCHERER SMITH & KENNY LLP  
THE STRENGTH OF PARTNERSHIP

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Scherer Smith & Kenny LLP serves mid-sized and fast-growing entrepreneurial companies. From complex litigation to business, real estate, intellectual property and employment law, our team brings strategic thinking, pragmatism and intense dedication to our clients' success.



## Trademark Bullies

Mid-size and emerging businesses have always been vulnerable to threats of being sued by large corporations trying to stop them from using their trademark which, while similar in sight, sound or appearance, is for an unrelated product.

These large corporations leverage their greater legal and financial resources to overreach the bounds of their trademark rights to force small local brands operating in unrelated marketing channels to abandon their marks (deemed "trademark bullying" by Senator Patrick Leahy). Their typical contention is simply that, while their mark is not currently used with products related to the smaller business, the area is within the natural zone of expansion of their product line, which (in their opinion) would lead to confusion in the marketplace.

When faced with these trademark challenges, small companies are put in the position of either mounting a principled, but highly costly, time-consuming, and possibly unsuccessful defense, or abandoning their mark. Recent disputes that highlight this activity include *Trek Bicycle Corp. v. Trek Winery LLC* and *Hansen Beverage Co. v. Rock Art Brewery*. Fortunately, in this "David vs. Goliath" battle, David was recently

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### Partner Notes



Brandon Smith

**Welcome** to the second edition of *Perspectives*, Scherer Smith & Kenny LLP's new quarterly newsletter. *Perspectives* provides our clients with an analysis and review of current legal issues of

handed what should become a larger stone to launch at Goliath.

On March 17, 2010, a new federal law, the Trademark Law Technical and Confirming Amendments Act (the "Act"), went into effect. This law is aimed at helping small businesses protect their trademarks against large, bullying companies. The new legislation is a step in the right direction in keeping large trademark owners at bay when it comes to branding in unrelated goods and services at the local level.

Specifically, the Act includes a requirement that the Secretary of Commerce study and report the extent to which small businesses may be harmed by litigation tactics employed by corporations to attempt to enforce their trademark rights beyond a reasonable scope. The study and report will also include policy recommendations to counter such behavior, which could result in further legislation in this arena. For more information on the Act or protecting your brand through trademark registration, please contact Brandon Smith at [bds@sfcounsel.com](mailto:bds@sfcounsel.com) or Heather Sapp at [hgs@sfcounsel.com](mailto:hgs@sfcounsel.com).



## Squirrely Laws About Service & Companion Animals

Restaurants and other public establishments have long operated under the assumption that they can lawfully refuse entry to dogs. Landlords and common interest development (CID) homeowners associations have also operated under similar assumptions regarding their tenants and members. Most understand that there are some exceptions to this rule for the physically disabled, such as those who need Guide Dogs for the Blind. What many do not realize, however, is that the exception, especially within the City and County of San Francisco, is perhaps broad enough to swallow the rule entirely.

While the Americans with Disabilities Act ("ADA") requires that an animal be specifically trained to aid its owner's disability in some fashion, California law does not require the same for a "companion animal" and its owner to receive the same protected status.

Local governments issue licenses and tags to persons who provide the necessary documentation to prove that they own a companion animal. However, under the ADA, possessing a license/tag is not a requirement for service animal status. Some jurisdictions are more liberal than others. On January 2, San Francisco Chronicle

interest that impact your day-to-day business and life. It also introduces you to the attorneys at our firm so that you get a better understanding of who you are working with, their specialized skills and the resources available to you. Our hope is that *Perspectives* will encourage dialogue and be a valuable resource.

While I have worked with many of you, there are many clients that I have not yet had the opportunity to meet or work with. This Partner Notes is my chance to introduce myself to you. Back in 1998 while practicing law with a large law firm, Bill Scherer and I talked about joining together to found Scherer & Smith LLP (which later became Scherer Smith & Kenny LLP after our third partner, Denis Kenny, joined us).

We both shared a passion to create a firm that was pragmatic and dedicated to our client's success. A place that was client-focused, staffed with people who we looked forward to working with each day, and that served clients whose businesses and families we felt we could impact. We are fortunate to have met these goals.

With respect to our clients, I can clearly state that after working for large fortune 500 clients, I wanted a firm in which I could work directly with individuals and founders of companies and feel that I was

columnist CW Nevius reported that "San Francisco has become a city filled with service animals, meaning the owner has a permit that allows him or her to take their dog, cat, or snake (seriously) into restaurants, libraries, and often even rental properties that don't allow pets."

Some restrictions and rules are permissible, but the lines are blurry, to say the least. Therefore, public establishments, landlords and CID boards and managers are cautioned not to assume that someone with a bizarre animal on a leash can be refused admission, service or tenancy. To the contrary, as Mr. Nevius wrote in his column, "That service animal on the bus may have no more training than a squirrel. And in this city it might be a squirrel."

Please feel free to contact Gabe Levine at [gsl@sfcounsel.com](mailto:gsl@sfcounsel.com) for more information.



## WEBSITE USER INFORMATION: KEEP OR TOSS?

Interactive websites permit users the widespread ability to, among other things, store data on user accounts, create user profiles, and send email messages to other users. We call this data "User Information." Over time significant amounts of User Information collect on servers, and website operators decide to purge their systems, perhaps because the User Information is old, some of their users have canceled their accounts, or for some other good business reason. What concerns dictate what User Information must be kept and which may be purged?

Although laws govern the retention of User Information, in this relatively unregulated industry (at least compared to many others), these laws generally govern only very narrow situations. As a result, a reasonable data retention policy is dictated less by legal compliance than by each business's need to preserve business-critical records for business reasons and anticipate whether any User Information may reasonably be required in the future.

### What Should You Retain, and For How Long?

Our general guidance to our clients is that they have the right to delete any User Information and other information they wish, assuming they have no reasonable anticipation of litigation or a request from law enforcement officials for preservation. Of course, such deletion would not extend to data that they have any business reason to

directly helping someone on a daily basis. An entrepreneur myself (I started my first business at the age of 10 with a friend and kept it through college), I love working with other entrepreneurs and helping their visions become their success.

My practice focuses on acting as general corporate counsel to medium-size and emerging companies across a range of industries, focusing on corporate, trademark, and securities matters. I also represent individuals in connection with negotiating employment and intellectual property agreements, real estate transactions and assisting them with general business matters. I love practicing in and around Northern California, the place in which I grew up and received my undergraduate and law degrees, and in which I now live with my family.

In this edition of *Perspectives*, my partner Bill Scherer discusses the rules and practices around whether you should keep or toss user information collected on your websites. I think many of our high tech clients will find it helpful or know someone that it may help. We also discuss a recent federal law that will help protect business owners from trademark "bullying" by large corporations and an update on a recent law involving assistance animals that will affect restaurants,

retain (i.e., employee, financial, and business records). However, it is best practice to store certain User Information for an identifiable period of time (typically from 90 days to six months) after the information is no longer part of an active user account. Depending on the client's activities and business reach, it may also be appropriate to provide to its users a clear and concise privacy policy outlining the site's use, retention and sharing of User Information.

## The Basic Rules and the Laws Applicable to It.

The basic rule regarding document retention policies is that in a "litigation free" atmosphere, if a company has created and implemented a clearly defined and reasonable record retention plan that identifies those business-critical records that should be kept for legal, business or regulatory reasons and has set appropriate retention periods, then information not meeting the retention guidelines can be destroyed.<sup>1</sup>

However, with pending or threatened litigation, the destruction component of the record retention plan must be flexible enough to preserve potentially relevant information that does not exist elsewhere for fear of destroying data relevant to the litigation and then facing a spoliation charge.<sup>2</sup> The Electronics Communications Privacy Act (the "Act")<sup>3</sup> gives law enforcement the right to demand, in individual investigations, that internet service providers ("ISPs") retain specific records for ninety (90) days. The Act applies to both electronic communications service ("ECS") providers and remote computing service ("RCS") providers.<sup>4</sup> If you are involved in or threatened with litigation, you should consult with your legal counsel prior to deleting any User Information.

Under the Act, a governmental entity may require ECS and RCS providers to disclose the contents of wire or electronic communications in electronic storage, as well as records of subscribers, pursuant to a warrant or court order. In addition, ECS and RCS providers must preserve records for a period of up to 180 days upon the request of a government entity, pending issuance of the court order.

## Practical and Privacy Considerations.

A practical question arises as to how long a company should keep its data to maximize the benefit to itself and its clients without keeping it so long as to place it in risk. After all, the retention of sensitive User Information means not only that such data is susceptible to fall into the hands of the government through legal process, but also that such information has the potential to present a high data-security risk. In response to these risks, the Article 29 Working Party<sup>5</sup> on April 2, 2008, issued an opinion on data protection issues related to search engines.<sup>6</sup> The opinion stated that "data processed

associations and other businesses.

We hope you enjoy this latest issue of *Perspectives*. Please feel free at any time to provide feedback of whatever kind you have to us by writing, calling, or e-mailing us personally.

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by search engines must be adequate, relevant, and not excessive in relation to the purposes for which it is collected and processed," and "in light of the purposes for collection and processing of query data expressed by such engines (service improvement, security, fraud prevention, accounting, customized advertising, law enforcement and legal process), the Working Party does not see a basis for a retention period beyond six (6) months."<sup>7</sup>

Thus, a thoughtful, reasonable, and flexible data retention policy is important to balance a website provider's legitimate need to retain certain information and the user's expectation of privacy, and to avoid the pitfalls of unintentionally deleting information that may have relevance in litigation or your business.

Finally, when considering data retention, you should consider the degree of disclosure of your policy to users and whether your website should adopt a thorough privacy policy, but this issue is beyond the scope of this short article. Suffice it to say, privacy policies are tricky because they form a contract with your users, who then rely upon them. As a result, it is often too easy for well-meaning and earnest privacy policies to unintentionally mis- or understate the actions that a company may be forced to take if litigation commences, the company sells itself (and with it User Information), or otherwise finds itself in circumstances under which it acts contrary to the straightforward intentions of its privacy policy. In such situations, liability may arise. Of course, in limited circumstances, a privacy policy is mandated by law. In the majority of situations in which it is not, each client should carefully weigh whether the addition of a privacy policy to meet user's privacy expectations is outweighed by the contingent liability if the policy is incomplete. If a privacy policy is adopted, it should be thoroughly vetted.

## Application of Law and Policy to Websites.

How best to apply these legal and policy considerations to a website's retention of User Information? Yahoo's Compliance Guide for Law Enforcement is instructive. According to the Compliance Guide, subscriber information (which is information provided by the user during the registration process and may include name, home address, phone, birthday, gender, occupation, etc.) is accessible for as long as the account is active, and is purged after 18 months of inactivity or 90 days if the user self-deletes the account. Yahoo maintains logs of IP addresses associated with account log-in for up to one year. Email is accessible for as long as the user chooses to keep it, and is purged after four or more months of inactivity depending on how long the user's account was open. Profiles are accessible as long as the profile is active and are purged after at least 90 days after deactivation. Yahoo notes that it is unable to

search for and produce deleted material, including email, unless a request for preservation of the material is received within 24 hours of the deletion. Pursuant to the Act, Yahoo will preserve information related to a subscriber or customer for 90 days, which may be extended for an additional 90-day period upon receipt of a request to extend the preservation by law enforcement officials.

Of course, this is merely one approach, and as I discuss above, there is flexibility as to what you ultimately adopt depending on your company's business. If you wish to discuss this issue in more detail, I am available at (415) 433-1099 and [wms@sfcounsel.com](mailto:wms@sfcounsel.com).

<sup>1</sup> See Lewy v. Remington Arms Co., 836 F.2d 1104, 111-12 (8th Cir. 1988).

<sup>2</sup> See Evaluating Your Record Retention Program When Your Company Reasonably Anticipates Filing Litigation, by Kevin Brady.

<sup>3</sup> 18 USC 2701 et seq.

<sup>4</sup> An ECS is defined as any service which provides to users thereof the ability to send or receive wire or electronic communications. 18 USC 2510. A RCS means the provision to the public of computer storage or processing services by means of an electronic communications system.

<sup>5</sup> The Article 29 Working Party is an independent group made up of the Data Protection Commissioners of the European Union (EU) whose goals are to harmonize the application of data protection rules throughout the EU, publish opinions and recommendations on various data protection topics and advise the EU Commission on the adequacy of data protection standards in non-EU countries.

<sup>6</sup> See Current Events in Search Data Collection and Retention, supra.

<sup>7</sup> Id.



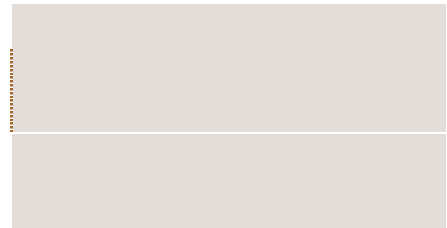
## Areas of Practice

Business, Estates and Trusts; Intellectual Property and Employment Law;  
Litigation and Dispute Resolution; Nonprofit; Real Estate

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