

# 1 ☐ Trademark & Unfair Competition Law UNIT 1

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<http://www.law.miami.edu/~tm04>

## 2 ☐ Class Policies & Syllabus

### ■ Readings

- Casebook
- Statutory supplement
- Handout with updates
- Breaking news (SCT!)
  - ┆ <http://www.trademark.blog.us>

### ■ Attendance

### ■ Lateness

### ■ Syllabus is online & handed out

## 3 ☐ Contacting Me

### ■ Office Hours TBA

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## 4 ☐ Course 'Style'

### ■ Many pages -- but easy reading

### ■ Mostly lecture, some discussion

### ■ **I like your questions**

- ┆ OK to interrupt
- ┆ OK to ask me to repeat things (once)
- ┆ There is only ONE dumb question -- the one that shows you were not listening to classmates

## 5 ☐ Course Content

### ■ Lanham Act

### ■ Common Law TM / unfair competition

### ■ Small amount of International

### ■ Structure

- ┆ Lay out the basics
- ┆ Discuss 'trouble cases'
  - ┆ Dilution
  - ┆ Internet
  - ┆ International

## 6 ☐ Today's Plan

- Relatively more about definitions & distinctions
  - TM
  - Copyright
  - Patent
- Relatively less about cases -- even though *Bonito Boats* is a key modern case.
- Some 'theory' to wrap up (wake up?)

## 7 ☐ IMPORTANT: PLEASE NOTE

- Just because we don't discuss it in class **doesn't mean** it isn't important or it isn't on the exam
- I discuss in class what I think is hardest to get
- I guess wrong sometimes -- if there's something in the reading I should have discussed **it is your responsibility to ask -- even 2 classes later**

## 8 ☐ What is a Trademark? [44]

- "A trademark is a word, logo or package design, or a combination of them, used by a manufacturer or merchant to identify its goods and distinguish them from others." [45]
- US TM's can be
  - registered marks (est. by PTO / state)
  - 'common law' marks (est. by use only)
- Non CL systems, I.E. civil law, require registration for all marks.

## 9 ☐ Scope of TM Rights

- Traditionally, TM rights are limited in scope
- Limits are both
  - *sectoral* and
  - *geographic* (national/state/local usage).

## 10 ☐ Geographic Organization

- Almost every country has a TM law
  - heavily harmonized by international conventions (
    - Paris, Madrid
- There is a
  - US federal registration system
    - Lanham Act (as amended)
    - Dilution Act
  - State
    - registration systems
    - state "anti-dilution"

## 11 ☐ Federal TM Law [47]

- Federal trademark law protects against a likelihood of confusion, mistake or deception about the source, affiliation, sponsorship or approval of goods or services or commercial activities of another. It also protects against the use of any false or misleading statement of fact in commercial advertising or promotion which contains a misrepresentation about that person's or another's goods, services or

commercial activities. The federal law, and some states, also protect the owner of a highly distinctive or famous mark against dilution by the blurring of its distinctiveness or the tarnishment of its image even if there is no likelihood of confusion.

## 12 ☐ **How are trademarks protected?**

- Primarily by private action
  - demand letters,
  - civil suits
- "Counterfeiting" is a federal crime

## 13 ☐ **What do you get in the way of damages for infringement?**

- **Injunctions**
- Customs aid
- Damages
- Rare attorneys fees
- **N.B. remedies on [47-48]**

## 14 ☐ **Challenging registration vs. Infringement Action**

- Registration issues go to TTAB (Trademark Trial & Appeal Board), an administrative agency [57-58]
- If challenge to refusal to register
  - Can appeal to board, then either
    - DCT or
    - Fed Cir (formerly Court of Customs and Patent Appeals);
- If challenge to a registration
  - publication in official gazette is cause for same process
  - don't expect collateral estoppel from these proceedings into a civil infringement action.

## 15 ☐ **TM vs. Patent, Copyright, Trade Secret**

- Trademarks protect source identifications (marks of trade);
- Copyrights protect original literary and artistic expressions;
- Patents protect new and useful inventions;
- Trade Secrets protect non-public information that has been protected from disclosure.

## 16 ☐ **A Patent is...**

- "A right to exclude others for a limited time from making using or selling a claimed invention."
- Patent requires
  - novelty,
  - nonobviousness
  - details to follow...

## 17 ☐ **What Does a Patent Entitle You To?**

- A common misconception is that the patent gives its owner the right to make, use, or sell the invention.

- Actually, it only gives the owner the ability to exclude others from making, using or selling the invention. The patent owner may be forbidden from using the invention, usually due to the existence of another patent, or sometimes due to other legal restrictions.

## 18 ☐ Why Patents?

- Congressional understanding, implicit in the Patent Clause itself, that free exploitation of ideas will be the rule,
- protection of a federal patent is the exception
- Goal of the patent system is to bring new designs and technology into the public domain through disclosure.

## 19 ☐ Three Kinds of Patents in the US

- Utility patents
  - ┆ what people think of when they think "patent"),
- Design patents, and
- Plant patents

## 20 ☐ Term of a Utility Patent

- Depends on when the patent application was filed.
  - ┆ If the patent issued from an application filed prior to June 8, 1995, the term is the later of
    - ┆ 1) 17 years from the date of issuance of the patent, or
    - ┆ 2) 20 years from the first U.S. filing date for the patent.
  - ┆ If the patent issued from an application filed on or after June 8, 1995, then the term is 20 years from the first U.S. filing date for the patent.
    - ┆ This complicated rule for the term of a utility patent is the result of the transition from the old term (17 years after issuance) to the uniform term prescribed by GATT (20 years after filing).

## 21 ☐ Patentability (1: Classes of things)

- In order to be patentable, an invention must pass four tests
- 1: The invention must fall into one of the five "statutory classes" of things that are patentable:
  - ┆ 1 .processes,
  - ┆ 2. machines,
  - ┆ 3. manufactures (that is, objects made by humans or machines),
  - ┆ 4 .compositions of matter, and
  - ┆ 5 .new uses of any of the above.

## 22 ☐ Patentability (2: Useful)

- 2: The invention must be "useful".
- One aspect of the "utility" test is that the invention cannot be a mere theoretical phenomenon.

## 23 ☐ Patentability (3: Novel) (4: Unobvious)

- 3: The invention must be "novel", that is, it must be something that no one did before.

- 4: The invention must be "unobvious" to "a person having ordinary skill in the art to which said subject matter pertains".

## 24 ☐ Design Patents

- For "any new, original, and ornamental design for an article of manufacture."
- Thus, "A design patent protects only the ornamental appearance of an article, and not its structure or utilitarian features. If a design is utilitarian in nature as well as ornamental (such as computer mouse design which is more comfortable to use), a design patent will not protect the design. Such combination inventions (both ornamental and utilitarian) can only be protected by a utility patent."

## 25 ☐ Design patents

- Easier to get than utility patents
- Last 14 years

## 26 ☐ Trade Secret

- l all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if
  - (A) the owner thereof has taken reasonable measures to keep such information secret; and
  - (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by the public.

## 27 ☐ The Economic Espionage Act of 1996

- §1832 makes it a federal criminal act for
- any person to convert a trade secret to his own benefit or the benefit of others intending or knowing that the offense will injure any owner of the trade secret.
  - l "conversion of a trade secret" is defined broadly to cover every conceivable act of trade secret misappropriation including theft, appropriation without authorization, concealment, fraud artifice, deception, copying without authorization, duplication, sketches, drawings, photographs, downloads, uploads, alterations, destruction, photocopies, transmissions, deliveries, mail, communications, or other transfers or conveyances of such trade secrets without authorization.

## 28 ☐ More on EEA

- The Act also makes it a federal criminal offense
  - l to receive, buy or possess the trade secret information of another person knowing the same to have been stolen, appropriated, obtained or converted without the trade secret owner's authorization.
  - l The definition of a "trade secret" in the Act generally tracks the definition of a trade secret in the Uniform Trade Secrets Act
    - but it expands the definition of a trade secret to include the new technological ways that trade secrets are created and stored.

## 29 ☐ Copyright [49]

- A copyright seeks to promote literary and artistic creativity by protecting, for a "limited time" [HA!], what the U.S. Constitution broadly calls the "writings" of "authors."
- Copyright only protects particular expressions of ideas, not the ideas themselves.
- A protectable work must be "original," i.e., not copied from another source (although two separately protectable works theoretically could be identical by coincidence).
  - l The work also must not be so elementary that it lacks sufficient creativity to be copyrightable

## 30 ☐ Copyrightable Works Include...

- literary, musical and dramatic works;
- pantomimes and choreographic works;

- pictorial, graphic and sculptural works (including the nonutilitarian design features of useful articles);
- motion pictures and other audiovisual works;
- sound recordings;
- computer programs;
- certain architectural works; and
- compilations of works and derivative works.

### 31 ☐ What You *Really* Need to Know

- How to distinguish between a patent and a copyright
  - ┆ What they are
  - ┆ Who is entitled to them
  - ┆ What you get
  - ┆ Why you would want them
- How to distinguish between design patents and trademarks
  - ┆ ditto

### 32 ☐ Design Patent v. Copyright

- Both cover aesthetic features of things but don't exactly overlap
- Copyright is generally used for non-utilitarian articles (e.g. art)
- Copyright includes utilitarian articles
  - ┆ but only to the extent the aesthetic features of the article can exist independently from the article.
  - ┆ If aesthetic features cannot be separated from the utilitarian object, a design patent can protect the ornamental features, while copyright protection cannot.
- Patent is short, copyright long

### 33 ☐ Design Patent v. TM

- Can co-exist
  - ┆ The shape of a product or container can serve as a source indicator, and therefore can be protectable as a trademark
  - ┆ The same product shape may also be protected under a design patent.
- Give very different types of protection.
- Patent is short. TM can be forever!

### 34 ☐ For Next Time

- Be prepared to answer the questions on p. 43

### 35 ☐ Why Protect Trademarks?

- Deceptive marketing is bad for
  - ┆ customers - legitimate expectations are frustrated
  - ┆ manufacturer - loss of 'goodwill'
  - ┆ market - inefficient outcomes, free riding
- Moral dimension
  - ┆ It's wrong to "pass off"
  - ┆ Wrong to "compete unfairly"
    - ┆ Root in common law tort of deceit

### 36 ☐ *Bonito Boats-A Nice Quote*

- I The law of unfair competition has its roots in the common-law tort of deceit: Its general concern is with protecting consumers from confusion as to source. While that concern may result in the creation of "quasi-property rights" in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation." - *Bonito Boats* [41]
- I Yet, this policy has been held to stop someone "misappropriate" the "property" in information(news)
  - *Int'l News Serv. v. AP* (1918) [32]
    - Does this "property" one can't "misappropriate" include 'goodwill' of another???

### 37 ☐ Economic & Social Justifications for TM

- *Hanover Star Milling Co. v. Metcalf* (1916) [58]
- The primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed. Where a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy.
- (continued)

### 38 ☐ *Hanover Star Milling Co. v. Metcalf* (1916) [58]

- Courts afford redress or relief upon the ground that a party has a valuable interest in the goodwill of his trade or business, and in the trademarks adopted to maintain and extend it. The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.
- "...the right grows out of use, not mere adoption."

### 39 ☐ Is There a "Deep Theory" of TM?

- Classic Vision (Ralph Brown)
- Posner's Law & Economics Vision
- Litman's Post-modern (?) Vision

### 40 ☐ Brown: the 'Enlightened Moralist'

- Assumes that TM has no intrinsic value separate from the good; TM just symbolizes that this *is* the good you think it is.
- Sees modern TM as confronting 'hard sell' advertising
- Benefits of brands
  - I Reduces incentive to produce shoddy goods for hit-and-run sales
  - I Create intangible satisfaction via advertising (e.g. 'perfume of seduction')

### 41 ☐ Law & Economics of TM's (1)

- TM's are good because
  - saves search time identifying goods when you want them. Thus must avoid duplication; else impose costs on market for TM'd goods & market for language! [76]
  - Of course search savings only work when firms have an incentive to maintain consistent attributes (quality) of goods. The stronger the TM, the greater the incentive to build reputation. (Evil is 'free riding').

### 42 ☐ Law & Economics of TM's (2)

- TM's have costs, but they're low -- at least for a "fanciful" or "coined" mark "which has no information content except to denote a specific producer or brand" [77].
- A "proper trademark is not a public good; it has social value only when used to designate a single brand." [77]

- Anti-trust law can deal with issues of monopoly.

#### 43 ☐ Post-Modern TM Law

- Scope of TM law is growing fast [79]
- TM clearly have intrinsic value - cf. balance sheets w/ 'goodwill'
- "It is hard to maintain a straight face when asserting that th 'Batman' mark has value only as an indicator that Batman-branded products are licensed by Warner Brothers.' [79]
- TM have independent 'atmospheric' value.

#### 44 ☐ Worry? Or Don't Worry?

- It *is* important to protect against counterfeits, confusion and deception. "Conventional trademark law does that." But does it follow that TM law should protect against
  - any use of 'polo' design on a tee-shirt
  - use of word "polo" on a Polo magazine about the sport?
- Need to beware of "assigning broad rights to prevent competitive or diluting use when no confusion seems likely" [especially since this has NO investment incentive effects!]