

# 1 ☐ Trademark - Spring 2004

## UNIT 2

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## 2 ☐ Review of Last Time (1)

■ Basics of class organization

■ "What is a trademark"

- (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])

■ How is a TM?

- US TM's can be registered, or common law.
- They are sectoral and geographic

■ Differences between TM, copyright, patent & trade secret

## 3 ☐ Review (2)

■ Classic reasons to protect TMs

■ protect consumer expectations

■ protect manufacturer goodwill

■ 'passing off' and 'counterfeiting' and 'unfair competition' are bad

■ Tensions

■ Classic view doesn't recognize freestanding value of mark

■ Modern view may over-value/protect marks?

## 4 ☐ Q1 on p. 43

■ Does *Bonito Boats* answer the question on p. 40:

Is the conflict articulated in *Sears-Compco* "constitutional" or "statutory"? I.E.

■ 1) was state unfair competition law found to conflict with the patent and copyright clause of the federal constitution, or with the federal patent law?

■ 2) What difference does it make?

## 5 ☐ Answers to Q1

■ 1) Yes:

■ 2) it's statutory policy;

## 6 ☐ Q2 on p. 43

■ Q: Could congress prohibit copying boat hulls?

■ A: Sure, congress can change the statute

## 7 ☐ Q3 on p. 43

■ Q: Can states have rules prohibit copying that is a 'false designation of origin' actionable under sec. 43(a) of the Lanham Act?

■ A: Sure, states can continue to have rules prohibiting 'false designations of origin' ... which may include packaging...but not copies per se...

8 ☐ Q4 on p. 43

- Same facts as *Cheney Bros* (the silks case) [33] after *Bonito Boats*
- What result?

9 ☐ Answer to Q4 on p. 43

- Under *Bonito Boats*, the rationale but not the result of *Cheney Bros* is different
- Any state claim to create a right against copying is thrown out as incompatible with the federal patent / copyright scheme.

10 ☐ More About Clothing Designs

- "Though some designers have sought protection under copyright, patent, or trademark law, most have found themselves without legal recourse. Congress never has provided explicitly for the protection of clothing designs, and courts have been unwilling to use the tools available for even limited protection. Clothing designs do not fit neatly into the existing scheme of intellectual property protection because they commit the cardinal sin of being useful.

11 ☐ (Continued)

- Copyright law protects useful articles only to the extent that they contain "physically or conceptually separable elements" that are unrelated to utility. [FN2] Trademark law does not protect that which is "functional." [FN3] Design patents are reserved for the "ornamental." [FN4] Unlike other useful articles--a hammer or an ironing board for example--clothes derive much of their appeal and value from their aesthetic properties. They exist not merely to cover and protect, but to decorate as well."  
----Peter K. Schalestock 21 Seattle U. L. Rev. 113 (1997) Comment *Forms of Redress for Design Piracy: How Victims Can Use Existing Copyright Law* [but in fact they can't do that, nor use trade dress without secondary meaning under recent *Wal-Mart* decision]

12 ☐ **Reputations Issues/ Used Goods**

- OK to sell used goods so long as no confusion as to source and nature of goods
- This well illustrates operation of 'classic' vision of TM law
- Would result be any different under 'modern' view? (no)
- Would result be any different under 'post-modern' view (maybe--and maybe that's what's wrong with it!)

13 ☐ *Stahly v. MH Jacobs* (7<sup>th</sup> cir. 1950) [65-66]

- P Sells razors under "Stahly" brand. P can't pay mfg. So P pledges razors as collateral on loan from Bank to pay mfg.
- P signs letter
  - ┆ "[I]n consideration of your making a loan to the said [manufacturer], we hereby consent to and agree that we will not assert any rights or claims contrary to your rights to realize upon such security as pledge thereof in the event of non-payment of the loan."
- Mfg defaults; Bank sells razors to D

14 ☐ *Stahly Issue & Holding*

- Razors are defective, bear P's TM
- Is it OK for D to sell genuine but defective razors with TM on them over P's objection?
- DCT said "yes"; CTA said "hold on" -- letter extinguished P's rights, but not the public's

- D must label razors as defective and lacking guarantee
  - Public has right not to be confused.
    - ┆ (But then why is P. real party in interest?)
- 15 ☐ **Alfred Dunhill (2d cir 1974) [67]**
  - Water-damaged tobacco; Dunhill claims insurance and turns over damaged goods to insurer, then **loses** claim for injunction to ban their sale w/out some notice of water damage.
  - Held, Dunhill was least cost avoider, could have so labeled them.
  - If this is equity, why doesn't public interest in *Stahly* apply here too?
    - ┆ Q. 2 on p. 67: Who should pay for re-labeling of blades in *Stahly*?
- 16 ☐ **Champion Spark Plugs (1947) [68]**
  - Ok to resell 2<sup>nd</sup> hand goods, properly labeled.
  - **Q3 on p. 70:** "Connecting with the Microsoft Network®: An Unauthorized Guide" -- what advice to give client?
- 17 ☐ **Kellogg Co. v. National Biscuit Co. (138) [84]**
  - Claim: National Biscuit (NBC) (makers of shredded wheat) claim exclusive rights to the term "shredded wheat" because customers associate them with the name as nearly unique national manufacturer for a long time, big ad campaign.
  - Held, Shredded Wheat is the generic name of the article, hence no one can have an exclusive right to use the name.
    - ┆ "Since the term is generic, the original maker of the product acquired no exclusive right to use it. As Kellogg Company had the right to make the article, it had, also, the right to use the term by which the public knows it."
- 18 ☐ **Kellogg: Secondary Meaning Claim**
  - Claim: NBC has exclusive right to the name "Shredded Wheat," because those words acquired the "*secondary meaning*" of shredded wheat made at Niagara Falls by NBC's predecessor.
  - Held, "to establish a trade name in the term "shredded wheat" [NBC] must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer. "
- 19 ☐ **Kellogg: Secondary Meaning Claim (continued)**
  - Claim: NBC has exclusive rights to market a "pillow shaped" biscuit
    - ┆ because consumers associate it with them
      - ┆ thus NB argues that Kellogg should have to stamp its name on its biscuits or change the shape
      - ┆ Note that NB had a patent on machines to make this shape but the patent lapsed a long time ago.
  - Court disagrees: can't replicate patent right via back door of TM
- 20 ☐ **Kellogg: What Happens When Patent Expires?**
  - ┆ "plaintiff [NB] seems to contend that even if Kellogg Company acquired upon the expiration of the patents the right to use the name shredded wheat, the right was lost by delay. The argument is that Kellogg Company, although the largest producer of breakfast cereals in the country, did not seriously attempt to make shredded wheat, or to challenge plaintiff's right to that name until 1927, and that meanwhile plaintiff's

predecessor had expended more than \$17,000,000 in making the name a household word and identifying the product with its manufacture."

## 21 ☐ **Kellogg: No Laches for Right to Manufacture**

- "Those facts are without legal significance. Kellogg Company's right was not one dependent upon diligent exercise. Like every other member of the public, it was, and remained, free to make shredded wheat when it chose to do so; and to call the product by its generic name. The only obligation resting upon Kellogg Company was to identify its own product lest it be mistaken for that of the plaintiff. "

## 22 ☐ **Kellogg: Design, Form & Machines in Public Domain**

- Plus, held, "plaintiff has not the exclusive right to sell shredded wheat in the form of a pillow-shaped biscuit — the form in which the article became known to the public. That is the form in which shredded wheat was made under the basic patent. The patented machines used were designed to produce only the pillow-shaped biscuits. And a design patent was taken out to cover the pillow-shaped form. Hence, upon expiration of the patents the form, as well as the name, was dedicated to the public.

## 23 ☐ **Kellogg: Why is the "form" not TM-able?**

- Held, the name and form are integral parts of the goodwill of the article.
- To share fully in the goodwill, it must use the name and the pillow-shape. And in the goodwill Kellogg Company is as free to share as the plaintiff.
  - Moreover, the pillow-shape must be used for another reason. The evidence is persuasive that **this form is functional** — that the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow-shape.

## 24 ☐ **Kellogg: Unfair Competition Claim**

- NBC argues Kellogg is engaged in unfair competition (held: "Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff.")
- But fact that boxes are very different, and only a tiny amount is served in hotels in bowls, and even then the 'pillows' are of different sizes, which means chances of confusion are remote.

## 25 ☐ **Q1 p. 88-89**

- The "Shredded Wheat" decision concerned the trademark protection available to the design of a product, and to its name, following expiration of patents covering the product and the processes and special machinery needed to manufacture it. Is the court holding that once such a patent expires, neither the product's shape nor its name can ever be the subject of a trademark? If not, under what circumstances is the assertion of trademark rights permissible?"

## 26 ☐ **Answer to Q1**

- Shape and name can be TM if they are not functional ... and not generic
- But note that if shape was not functional it shouldn't have been subject to a utility patent

## 27 ☐ **Q4, p. 89**

- One may share in the goodwill of the product, but not in that of the producer.

- What is the difference between these two kinds of "sharing"?
- How would you demonstrate the difference?

## 28 ☐ *Coca-cola Co. v. Koke Co. Of America* (1920) [89]

- re: "Coke" TM: "Whatever may have been its original weakness, the mark for years has acquired a secondary significance and has indicated the plaintiff's product alone. "
- Defendant's mixture is made and sold in imitation of the plaintiff's and that the word 'Koke' was chosen for the purpose of reaping the benefit of the advertising done by the plaintiff and of selling the imitation as and for the plaintiff's goods.

## 29 ☐ TM Don't Protect Evil-Doers

- Coke used to have cocaine, now it doesn't - is this a fraud? sufficient to prevent equitable relief?
  - "The only obstacle found by the Circuit Court of Appeals in the way of continuing the injunction granted below was its opinion that the trade-mark in itself and the advertisements accompanying it made such fraudulent representations to the public that the plaintiff had lost its claim to any help from the court."

## 30 ☐ *Coca-Cola* Holding

- "The name now characterizes a beverage to be had at almost any soda fountain. It means a single thing coming from a single source, and well known to the community. It hardly would be too much to say that the drink characterizes the name as much as the name the drink. In other words 'Coca-Cola' probably means to most persons the plaintiff's familiar product to be had everywhere rather than a compound of particular substances. . . .[I]t has acquired a secondary meaning in which perhaps the product is more emphasized than the producer but to which the producer is entitled.

## 31 ☐ Distinction from *Kellogg*

- Why is this different from the outcome in shredded wheat?
- Why can't the imitation product be called "Koke"?
- Is "Coca-Cola" a generic term? Is "Shredded Wheat"?

## 32 ☐ TM Rules Change Over Time

- Slogans - no becomes yes
- Surnames - yes becomes maybe

## 33 ☐ Slogans CAN be TMs

- Old rule was that a slogan could not be trademarked
- Modern rule is that a slogan can be a TM, so long as not merely "descriptive".

## 34 ☐ Surnames

- Used to be a blanket rule that you could use your name, subject only to bad faith or fraudulent intent to deceive (subjective tests!)
- Now there are some 'objective' limits.
- Remedies
  - Historically courts were reluctant to block all uses of your own name absent bad faith. [93-94]

- Modern trend looks more at confusion and less at motive; coincides w/ stronger TM rights. But absolute prohibitions are still rare-ish.

### 35 ☐ **Waterman (1914) [93]**

- Sets principle that right of individual to use name must be balanced against right of the public to be free from confusion.
- Thus, issue is whether
  - name has a secondary meaning (if the public has come to associate and identify particular goods with a certain source") AND
  - if the effect would be to confuse the public.

### 36 ☐ **TRADE DRESS [96]**

- Qualitex co. v. Jacobson Prod. (1995) [96]
  - Can a color be a TM?
  - Held, yes, "and when it does so, no special legal rule prevents color alone from serving as a trademark."
- Color can have secondary meaning [98]
  - Nothing in "functionality doctrine" prevents color from being a mark. [98-99]

### 37 ☐ **Functionality Limits on Trade Dress**

- In general terms, a product feature is functional," and cannot serve as a trademark, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,"
- IE if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. [99]
- [Note: important material not on this outline]

### 38 ☐ **Things to Note**

- Discussion p. 103 of Lanham Act (1946) as expansion of prior law, e.g. allowing previously forbidden descriptive marks (and slogans too) e.g. "U-Build-It" model airplanes, when they have secondary meaning.
- Discussion p. 104 last full paragraph on how TM law gives you advantages that trade dress law (§43(a)) doesn't.
- 106-108: People have tried to register Smells & Bells, without much luck. Cartoon characters can be registered, and even some short tunes.

### 39 ☐ **End of Unit 2**

### 40 ☐ **Let's Look Ahead to Unit 3**

- Distinctiveness
  - Only a "distinctive" mark can be registered
  - Stands to reason - job of TM is to distinguish source of goods
- Many types of distinctiveness
- TM status depends very much on the type of term
  - effect on TM-ability
  - effects on *strength of mark*

### 41 ☐ **Levels of Distinctiveness**

- Generic

- Descriptive
  - Includes
    - surnames
    - geographically distinctive marks
  - Requires secondary meaning
- Suggestive
  - Weaker protection
- Arbitrary, Fanciful
  - Stronger protection

42 ☐ ***Abercrombie & Fitch Co. V. Hunting World, Inc.*** (2d Cir. 1976) [108] (per Friendly).

- The cases, and in some instances the Lanham Act, identify four different categories of terms with respect to trademark protection. Arrayed in an ascending order which roughly reflects their eligibility to trademark status and the degree of protection accorded, these classes are
  - **(1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.**
  - “The lines of demarcation, however, are not always bright.”

43 ☐ **Generic Terms**

- Generic terms cannot be TM'd
  - Not even with secondary meaning -- in the field for which they are generic.
- Example:
  - Cannot TM “computer” for electronic calculating machines
  - CAN TM “computer” for socks

44 ☐ **Descriptive Term**

- E.g. “deep bowl spoon” see, fn 11
- **Requires secondary meaning**
  - Which can be shown as set out in §2(f) of Lanham Act, 15 USC §1052
    - **Except as expressly excluded** in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, **nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce.** The Director may accept as **prima facie evidence** that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, **proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.** ... A mark which when used would cause dilution under section 1125(c) of this title may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which when used would cause dilution under section 1125(c) of this title may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title

45 ☐ **Suggestive Terms**

- “[N]either descriptive on one hand nor truly fanciful on the other”
- Line between SUGGESTIVE & DESCRIPTIVE is vague (lawyering opportunity!)
  - If suggestive then no secondary meaning required.
  - Marks registered without secondary meaning requirement go in right away, immediate priority, upon first use -- no need to build up a customer base. Protects (overprotects?) investment.... [112]

46 ☐ **Distinguishing Suggestive From Descriptive**

- Why is BROWN-IN-BAG “suggestive” of how to cook meat Application of Renynolds Metals Co. (CCPA 1973) [112] but QUIK-PRINT is only descriptive (despite arguably ‘fanciful’ misspelling?) CCPA 1980 [114]

## 47 ☐ Tests For Distinguishing Suggestive from Descriptive

- Would competitors be likely “to need the terms used in the trademark in describing their products”?
- The ‘imagination’ test
  - Suggestive “if it requires imagination, thought and perception to reach a conclusion as to the nature of the goods”
  - Descriptive “if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods” -- *Six Products v. United Merchants*, 295 F.Supp 479 (SDNY 1968)