CS 4984: Lecture 4
Trademarks & Trade Secrets

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What is a Trademark?

- Any word, name, symbol or device, or any combination thereof used by a person or entity to identify and distinguish their goods or services from those manufactured and sold by others.
Purpose of Trademark System

• Protect the trademark owner’s investment in goodwill and reputation attached to the mark
• Protects consumers from confusion as to the source of goods or services purchased
• Signifies to consumers that all goods sold under the mark are of a certain level of quality
Differences Between Trademarks, Patents and Copyrights

• Patent laws protect functional and design inventions.

• Copyright law protects original works of expression.

• Trademark law protects symbols used to distinguish origin of goods and services from those of others. Rights may continue indefinitely as long as the mark is in use.
Overlap in Patent, Trademark and Copyright Law Protection

- **Product Shapes** (e.g., COCA-COLA bottle shape) can be the subject of a design patent for a limited duration of time (14 years) and can also function as a trademark provided it indicates origin.

- **Picture of a Person or Character** (e.g., Mickey Mouse, Tony the Tiger) may be copyrightable as a pictorial work and may also be used as a trademark.
Types of Trademarks

- **Single/Multiple Words** (PEPSI, MOUNTAIN DEW)
- **Letters or Numbers** (IHOP, 7-11)
- **Slogans** (JUST DO IT)
- **Designs** (automakers’ designs, NIKE Swoosh)
- **Color** (blue: Tiffany Jewelers; pink: Owens-Corning)
- **Product Shapes** (Goldfish crackers)
- **Product Container Shapes** (Liquor/Perfume Bottles)
- **Building Appearance** (McDonald’s Building Design)
- **Sounds** (NBC chimes)
- **Fragrances**
Scope of Protection of Trademarks

- The stronger the mark, the broader the scope of protection
- Strength of mark determined by its distinctiveness
- Distinctiveness depends on:
  - Whether mark is inherently distinctive, or
  - Whether non-inherently distinctive mark has acquired distinctiveness through use and promotion
Spectrum of Distinctiveness
(Listed in descending order)

• Fanciful/Coined (KODAK)
• Arbitrary (APPLE for computers)
• Suggestive (NIKE, God of Victory)
• Descriptive (WEATHERDATA)
• Generic (e.g., Milk)
Inherently Distinctive Marks

- **Fanciful or Coined Marks** - a term with no independent meaning: rather, coined for the sole purpose of functioning as a trademark. (EXXON, KODAK, STARBUCKS)
- **Arbitrary Marks** - a common term or symbol but used in connection with goods or services in an arbitrary manner. (APPLE computer, TROUBLE board game)
- **Suggestive Marks** - a term that suggests some quality, feature or characteristic of the goods, but requires imagination or thought to reach a conclusion as to the nature of the goods. (PLAY STATION video game system; ROACH MOTEL for insect bait station)
Non-Inherently Distinctive Marks

- **Descriptive Marks** - marks which immediately describe a purpose, function, characteristic or feature of the goods. These marks can only be protected upon a showing of acquired distinctiveness. (BIG BREAKFAST by McDonalds; RAISIN BRAN cereal)

- **Generic Marks** - the name of the product or service itself. The ultimate in descriptiveness and cannot, by definition, acquire distinctiveness and function as a trademark under any circumstances. (Apple, for apples; Poker, for poker)
Other Non-Inherently Distinctive Marks

• **Name Marks** - surnames and given names can only be protected upon a showing of *acquired distinctiveness* through use. (MCDONALDS, PARKER BROS.)

• **Geographic Marks**
  
  • Geographically Descriptive (NANTUCKET NECTARS for drinks made in Nantucket, Massachusetts). Showing of *secondary meaning* required for protection.
  
  • Geographically Misdescriptive or Deceptive (NAPA VALLEY for wine originating in Secaucus, New Jersey) cannot be protected.
“Genericide” and How to Avoid It

• Genericide occurs when a trademark no longer identifies the source of goods or services, but becomes the name for the goods or services themselves (e.g., aspirin, escalator, zipper).

• How to avoid genericide:
  • Use mark in proper manner
  • Use mark as an adjective with the generic name of the goods. Never use the mark as a noun.
  • Educate public.
  • Police misuses.
Acquisition of Trademark Rights

• In the United States, unlike many other countries, trademark rights arise from *actual use* of a mark in connection with goods or services, not registration.
• Check for availability and registrability by conducting federal and common law search.
• Reservation of a business name from the Secretary of State does not give the right to use that name as a trademark.
• While not required, federal registration provides a number of substantive and procedural advantages for the trademark owner.
Advantages of Federal Registration

• *Federal jurisdiction* for infringement actions
• *Remedies*: profits and damages; treble damages and attorneys fees in cases of willful infringement
• *Presumption of ownership and exclusive right to use* mark nationwide
• *Registration incontestible* after 5 years
• *Constructive notice* of registrant’s ownership which eliminates a good faith adoption defense
• *Prevent importation* of counterfeit merchandise by recording registration with U.S. Customs
• *Foreign priority* available
Applications For Registration

• Based on use in commerce which can be regulated by Congress (i.e., interstate commerce and territorial commerce)
• Based on a foreign application or registration (no use in United States required to receive registration)
• Based on applicant’s bona fide intent to use the mark in commerce
Post-Registration

- Registrant can and should use ® symbol.
- Must maintain registration by filing Affidavit of Use between 5th and 6th years following issuance of registration.
- Term is 10 years from issue date.
- Can be renewed for indefinite number of 10 year terms upon filing a declaration attesting to continued use of mark.
Infringement

• Basic test: whether another’s use of a mark is likely to cause confusion, mistake, or deception in the minds of relevant consumers.

• Confusion includes confusion as to the source of products and services as well as confusion as to endorsement, sponsorship, or connection with the trademark owner.
Likelihood Of Confusion Factors

- Strength of plaintiff’s mark
- The degree of similarity between plaintiff’s and defendant’s marks
- The proximity of the products or services
- The likelihood that plaintiff will bridge the gap
- Defendant’s intent
- Evidence of actual confusion
- Sophistication of purchasers
- Quality of defendant’s products
Trademark Dilution

- Relatively new cause of action
- Requires a *famous* mark
- Accused mark must cause dilution
- No likelihood of confusion required
Internet/Domain Names

• Can federally register domain names
• EXXON still likely infringed by (www.exxon.com)
• Special provisions
  – Anti-Cybersquatting law
  – ICANN
  – Bad faith required
Trademark Cases

- Sporty’s Farm v. Sportsman’s Market, 202 F.3d 489 (2nd Cir. 2000)
- Olly’s B.V. v. CPS Korea, Case No. D2000-0203 (WIPO 2000)
- Playboy v. Terri Welles, 78 F.Supp.2d 1066 (S.D. Cal. 1999)
- Hartford House v. Microsoft, CV778550 (Sup’r Ct. Cal., Cty. of Santa Clara 1988)
What Constitutes a Trade Secret?

• Any information including formula, pattern, compilation, program, device, method, technique, or process that:
  – 1. Derives independent economic value, actual or potential from not being generally known or readily ascertainable by proper means
  – 2. Reasonable efforts under the circumstances to maintain secrecy
Uniform Trade Secrets Act: I

• 1. Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means;

• 2. Disclosure or use of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means;
Uniform Trade Secrets Act: II

• 3. Disclosure or use of a trade secret of another without express or implied consent by a person who:
  – Used improper means to acquire, or
  – At the time of the use, knew or had reason to know that the trade secret was:
    • Derived from a person who used improper means
    • Acquired under implied duty of secrecy
    • Derived from person having duty of secrecy
  – Before a material change in position, knew or had reason to know that the information was a trade secret and knowledge of the trade secret had been acquired by accident or mistake.
What Constitutes Improper Means?

- Theft
- Bribery
- Misrepresentation
- Breach of a duty,
- Inducement to breach a duty,
- Espionage through electronic or other means.
Federal Law on Trade Secrets

- Economic Espionage Act (EEA)
  - 18 USC §§1831 et seq.
  - Prevents trade secret theft by a “foreign entity” including foreign government agent or instrumentality
  - Prevents trade secret theft by anyone if:
    - 1) There is an economic benefit and
    - 2) Defendant knew conduct would harm owner
  - Remedy: Imprisonment, Fines, Injunction
Federal Law on Trade Secrets

• Extra Territorial Effect
  – Where Citizen or Resident of U.S. Involved
  – Company Organized Under U.S. Laws, or
  – Act in furtherance of crime committed in U.S.

• To date, primarily used to cover “bad acts” by employees, contractors, foreign nationals
Federal Law on Trade Secrets

• Exemplary Cases:
  – Cyrix Case:
    • Stolen prototype CPU’s from Intel, attempted sale to Cyrix, Conviction of two individuals involved
  – Deloitte-Touche Case:
    • Employee took software from company and sold portions for own benefit, 4 years in prison followed by 3 years of supervised release, and $337,000 fine.
Remedies

• Shellmar/Conmar rule
  – Injunction typically for period trade secret exists
  – May extend any reasonable period to eliminate commercial advantage
  – Affirmative acts may be compelled
• Actual Loss and unjust enrichment not part of actual loss
• Reasonable royalty
• Willful:
  – Punitive damages (may be capped)
  – Attorneys fees
• Statute of limitations e.g., 3 years
Trade Secret Cases

- Vermont Microsystems v. Autodesk, 88 F.3d 142 (2nd Cir. 1996)
- Hogan Systems v. Cybersource Int’l., 158 F.3d 319 (5th Cir. 1998)
- ProCD v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996)