

# 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 good 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](http://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 (2<sup>nd</sup> 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)
- Playboy v. Netscape, 55 F.Supp.2d 1070 (C.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.



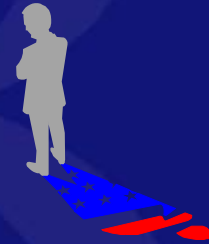
# Federal Law on Trade Secrets



- 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

- Religious Technology Center v. Lerma, 908 F.Supp 1362 (E.D. Va. 1995)
- Vermont Microsystems v. Autodesk, 88 F.3d 142 (2<sup>nd</sup> Cir. 1996)
- Hogan Systems v. Cybersource Int'l., 158 F.3d 319 (5<sup>th</sup> Cir. 1998)
- ProCD v. Zeidenberg, 86 F.3d 1447 (7<sup>th</sup> Cir. 1996)

