Marcus Stephen Harris LLC
Technology Law

Intellectual Property Bulletin

Volume I, No. 1, 4th Quarter, 2007

Design Piracy Protection Act

Traditional intellectual property protection has proven inadequate for fashion designers. While copyright laws have recognized the copyrightability of fabric patterns, copyright does not extend to the actual article of clothing or its design. While a design patent may offer protection for the design of an article of clothing, obtaining a design patent is typically not a viable option for a designer as the process takes 18 months on average – in some cases longer than the life of a particular design. Trademark protection is similarly ill-suited. Trademark protection only extends to the non-functional aspects of a design, and only after the design has achieved what is called secondary meaning. This dearth of protection has provided an avenue for free-riders to copy designs even before they have been generally released in the marketplace. See "Before Models Can Turn Around, Knock Offs Fly.", *The New York Times* September 4th, 2007. In fact, knock-offs represent 5% of the American apparel market. *Id*. This has prompted Congress to get involved.

On August 8th 2007, a bill was introduced in the Senate that would provide protection specifically to fashion designs. SL 1952. The bill, called the Design Piracy Protection Act (the "DPPA"), if enacted would provide a substantial protection mechanism to fashion design firms that timely register their designs. The DPPA would amend chapter 13 of the Copyright Act, 17 U.S.C. 1301 et seq, which focuses primarily on designs.

The Proposed Legislation

The DPPA defines "Fashion Design" as: "the appearance as a whole of an article of apparel, including its ornamentation." Apparel is defined as: "(A) an article of men's, women's, or children's clothing, including undergarments, outerwear, gloves, footwear, and headgear; (B) handbags, purses, and tote bags; (C) belts; and (D) eyeglass frames." Thus, the proposed legislation would provide protection to any type of apparel.

This means that a designer must apply for protection within three months of making the fashion design public.

The DPPA would specifically exclude "a fashion design, embodied in a useful article that was made public by the designer or owner in the United States or a foreign country more than 3 months before the date of the application for registration under this chapter." This means that a designer must apply for protection within three months of making the fashion design public. Other copyrightable works are not subject to this type of limitation. In fact, other copyrightable works do not need to be registered in order to secure copyright protection. This difference, if enacted, will make it imperative that design firms apply for the registration of their designs before or immediately after offering the designs for sale or making them public.

Additionally, Chapter 13, upon enactment of the DPPA, would exclude designs that are not original, staple or commonplace or insignificant variants thereof, and a design that is solely dictated by the utilitarian function of the article that embodies it. Thus, a revival of a retro design would not be afforded protection, unless the design has the requisite amount of originality, is not commonplace and is not copied.

Another notable difference between fashion design protection and traditional copyright protection is the term of the protection. The protection provided for "a fashion design shall continue for a term of three years beginning on the date of the commencement of protection under section 1304." This is a very limited time period compared to the traditional copyright term, which is generally 70 years after the death of the author. 17 U.S.C. 302(a) (2006).

The DPPA would not change what constitutes an act of infringement, but would change what does not constitute an act of infringement. For example, the definition of "Acts Without Knowledge" would read: "It shall not be infringement under this section to make, have made, import, sell, or distribute, any article embodying a design which was created without knowledge *or reasonable grounds to know that protection for the design* is claimed under this chapter and was copied from such protected design." (emphasis added to the proposed changes). The DPPA would also specifically define what is not infringement of a fashion design as follows: "In the case of a fashion design, a design shall not be deemed to have been copied from a protected design if it is original and not closely and substantially similar in overall visual appearance to a protected design."

What This Means For Designers

For the first time in the United States, fashion designers will have a means to protect their designs from piracy. Unlike the European Union's Community Design Right Regulation, designers would have to register their designs with the Copyright Office in order to gain protection. (The Community Design Right Regulation provides up to 25 years of protection for a registered design, and three years protection for an unregistered design). Once registered, a designer would have three years to exploit a design. Due to the nature of the fashion industry and its changing trends, it is likely that the three year window will be sufficient to protect designs. During the three year period, a designer would be able to sue an infringer for up to $250,000 or $5 a copy. This may discourage vendors from selling imitations or knock offs because it would be an act of infringement to sell or import a "knock-off" of a registered design. Further, an unknowing seller of infringing designs would be required to divulge the source of the knockoffs if the seller does not want to face liability.

Until, however, the DPPA has passed and has undergone some judicial review, it will remain unclear what the tests for infringement will be. It also will remain to be seen what is the required modicum of creativity for a design right. Further, it appears that registered designs will need to be marked in some form. Although the language of the proposed legislation is unclear on what "without knowledge or reasonable grounds to know that protection for the design is claimed" means, it is apparent that designers would have to put competitors and pirates on notice of the design rights in some capacity.

Designers would have to register their designs with the Copyright Office

While it remains to be seen how much protection is afforded to designers and to what extent a design is registrable, it appears that if passed the DPPA would provide substantive protection to designers who have often fallen victim to design pirates.

Avoiding Pitfalls When Purchasing or Licensing Trademark Rights.

Trademark rights, like other forms of intellectual property, can be assigned or licensed to other parties, but they differ in keys respects from other forms of intellectual property. First, trademark rights accrue through use, rather than invention (patents) or creation (copyrights). Second, unlike copyrights or patents, which are enforceable only for a limited time, trademark rights exist as long as the trademark owner uses the trademark and associated registrations are properly maintained. Due to the legal limitations of a trademark there are certain considerations to keep in mind before purchasing the trademark rights of another party. The following is a non-exclusive list of issues to consider when purchasing or licensing trademark rights.

Assign the goodwill of the business tied to the mark.

Section 10 of the Lanham Act, 35 U.S.C. § 1060, deals with a registrant's ability to assign a trademark to another party. 35 U.S.C. § 1060(a)(1) requires that the assigning party transfer the goodwill associated with the mark to the assignee. The law is clear that "there are no rights in a trademark alone and that no rights can be transferred apart from the business with which the mark has been associated." *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.3d 838, 842 (9th Cir. 1969). Conceptually, this makes sense. "The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers." *Park 'n Fly v. Dollar Park & Fly,* 488 U.S. 189, 198 (1985). Thus, the goodwill associated with the mark is what is actually protected by trademark rights. Therefore, unless an assignment of trademark rights includes the goodwill associated with the mark, the trademark will cease to serve its purpose and the assignment will be invalid.

Simply stating that the goodwill is transferred is not enough. *Glow Industries, v. Lopez*, 273 F. Supp. 2d 1095 (C.D. Cal. 2003). Transferring things such as customer lists, formulas or recipes, or trade secrets associated with a good or service, while not required, will demonstrate that the goodwill is actually being transferred and that the assignee intends to maintain continuity with the assignor's prior use.

Register a written assignment with the USPTO within three months.

Although recording an assignment with the USPTO is not required, recording the assignment is crucial, nonetheless. Recording a trademark assignment is prima facie evidence of the execution of the agreement. 15 U.S.C. § 1060(a)(2). In the event a dispute arises over the ownership of the mark, recording the assignment will provide the assignee with evidence of ownership of the mark. In addition, failure to record the assignment within three months of its execution can have serious repercussions. "An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded with the United States Patent and Trademark Office within 3 months after the date of the assignment or prior to the subsequent purchase." 15 U.S.C. § 1060(a)(4). This means that if a third party is subsequently assigned the trademark at issue, and the original assignee failed to record the original assignment; the subsequent assignee (provided he had no notice of the original assignment) would be the rightful owner of the assigned trademark. Therefore, it is imperative to record a written assignment of a trademark with the USPTO within three months of the execution of the agreement.

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Naked Licensing

One way for a trademark to become abandoned is by engaging in naked licensing. Naked licensing occurs when a trademark owner allows licensees to depart from the licensor's quality standards. *TMT N.Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 885 (7th Cir. 1997). Failing to maintain adequate quality standards may result in inconsistent goods or services. Once this occurs the trademark will cease to have utility as an informational device or a source-identifier. *Id*. The easiest way to avoid the abandonment of a mark due to naked licensing is by putting specific language in the license agreement which requires the licensee to maintain and comport to the licensor's quality standards. Additionally, the licensor should periodically check-in with the licensee to ensure that the quality control provisions are being adhered to by the licensee.

Purchasing a mark merely to warehouse it.

Trademarks are not like other types of intellectual property, in that trademark rights accrue through use. For example, a party can purchase patent rights with the sole intention of keeping the invention off the market. Trademarks, however, cannot be warehoused. In the event a company acquires trademark rights with an intention to discontinue use of the mark, the mark will be deemed abandoned. A mark is deemed abandoned when "its use has been discontinued with intent not to resume such use." 15 U.S.C. § 1127. Intent not to resume is a determination based on the circumstances. Moreover, the use of a mark must be a bona fide use of the mark and not a use of the mark just to reserve rights. 15 U.S.C. §1127.

Thus, if a party purchases a mark with the sole intention of keeping the mark off the market, the mark will be deemed abandoned.

Trademarks, like all other forms of intellectual property, add value to a company's net worth.

Assignment of intent-to-use applications.

Trademark rights accrue upon use. As such, an applicant cannot assign the rights in an intent to use application until the applicant files a statement of use or an amendment to allege use. 15 U.S.C. § 1060 (a)(1). The one exception to this rule is that a party can assign an intent-to-use application to a successor to the business. 15 U.S.C. § 1060 (a)(1). Once the mark has actually been used in commerce and the statement of use has been filed, however, a party can assign the trademark rights.

Conclusion

Trademarks, like all other forms of intellectual property, add value to a company's net worth. Due to the number of technicalities involved in assigning or licensing trademark rights, entering into agreements to acquire trademark rights without the advice of counsel doesn't make sense. These technicalities will not materialize into issues until the trademark is the subject of a dispute, at which point, attempts to correct these deficiencies may be untimely. Accordingly, hiring a skilled practitioner will help ensure your trademark rights survive an assignment or license agreement.

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Think You Own Your Website? Think Again.

Many businesses rely on websites as a main marketing and advertising resource. For some businesses a website may be its primary source of income. Accordingly, it is imperative for a business to ensure that it actually owns its website and has the right to display and modify its website. Business owners, especially those without in-house web designers, should be wary of the fact that they may not legally own their websites.

A common misconception is that if a business hires a web designer to create its website, the business automatically becomes the owner of the website. This misconception, however, does not find support in US Copyright Law. In actuality the owner of the website is the author (i.e., designer) of the website and not the business that engaged the designer to design its website.

To avoid this situation a business can: (i) bring the web design process in house and only have employees of the business design the website; or (ii) ensure that the web designer expressly designates his or her work as a "work made for hire" or expressly assigns his or her rights in the website up front and before the website is actually created.

The owner of the website is the author of the website and not the business that engaged the designer to design its website.

Under the first scenario, if a business actually employs its own web designer then any work produced by the employee within the scope of his or her employment belongs to the employer. This is because Copyright Law recognizes an employer as the author of a work created by an employee within the scope of the employee's employment. Keeping a full-time web designer on the payroll, however, is an expensive way to ensure that a website belongs to the business and not the designer.

A more cost-effective approach is to make sure that the web designer expressly designates his work as a "work made for hire" or expressly assigns his rights in the website up front and before the website is actually created. When engaging independent contractors, it is imperative to have a written agreement which assigns all copyrights to the engaging party and clearly establishes a work for hire relationship in accordance with US Copyright Law.

Before hiring a web designer to create your website ensure that you will retain ownership of the copyrights contained in the website. An attorney well versed in Copyright Law can draft a simple contract ensuring you retain ownership in what may be one of your business' most valuable assets.

Think Twice Before Sending Cease and Desist Letters

A key component in the enforcement and maintenance of trademark rights is the demand letter. Upon discovering the infringing use of its mark, a mark owner has an obligation to take action or risk the erosion of its rights. Demand letters can be a low-cost way to resolve trademark infringement matters. A carefully drafted demand letter may convince an infringer to cease its use of the mark. Further, a demand letter establishes actual notice of the mark owner's rights and may allow recovery of expanded damages resulting from the continued infringement of the mark after receipt of the demand letter. Demand letters are not without risk, however.

An overly aggressive trademark enforcement program that seeks to stop all uses of a particular mark is ill-advised. A mark owner must understand that not all uses of its mark constitute infringement. Sending out demand letters can have serious unintended consequences

By forwarding a demand letter, a mark owner typically creates an issue in controversy that allows the infringer to seek declaratory relief. In an action for declaratory relief, the infringer sues the mark owner asking a court to determine if the infringer is violating the mark owner's rights. Such a tactic places the mark owner at a strategic disadvantage. If the alleged infringer lives in another state, the infringer may file suit in its own state forcing the trademark owner to litigate in an inconvenient forum and incur additional legal fees. If the mark owner has not fully investigated the scope of the alleged infringer's use and issues of priority, the mark owner may find itself on the losing end of an infringement lawsuit.

Carefully drafting a demand letter that uses conditional language, sets forth facts and asks for more information without making explicit allegations of infringement or threats of litigation minimizes the risk the recipient will have the ability to seek a declaratory judgment thereby securing a strategic advantage.

Nevertheless, because litigation is a real possibility, a mark owner should fully understand the strength of its mark, the scope and priority of an infringer's use, the likelihood of success on the merits, and be cognizant of the potential cost of litigating the issue to resolution all prior to sending a demand letter.

Non-Traditional Trademarks

Typically a trademark consists of a word or a logo used by a company to set itself apart from its competition. However, cutting edge approaches to branding and marketing have led to the development of innovative ways for companies to distinguish themselves and their products and services from competitors. Trademarks that incorporate elements of sound, taste or smell are becoming increasingly common. Successful registration of nontraditional trademarks requires creative use of existing trademark laws to ensure registration is secured and brand equity is maintained.

A non-traditional trademark is a mark based primarily on appearance (a color or combination of colors, moving images or holograms), shape (the three-dimensional representation of a product or container or an innovative tag) sound (jingles), smell (perfumes), taste (flavors of certain products) or texture (e.g., soft or moist tissues). Securing registration for a nontraditional trademark is difficult and requires skilled trademark counsel.

Taste

In June of 2006, in a case of first impression, the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("PTO") denied registration of application SN: 76/467,774 for the flavor orange used with "pharmaceuticals for human use, namely, antidepressants in quick-dissolving tablets and pills,". The TTAB found that the proposed mark was not capable of trademark protection because "the orange flavor of applicant's medication leads to patient compliance indirectly increas[ing] the efficacy of the medication." The TTAB stated that registration of the orange flavor would provide the applicant with a competitive advantage and that the applicant failed to provide evidence that consumers would recognize the orange flavor as an indication

General Electric applied for the sound of a ship's bell clock for radio broadcast services

of the origin or sponsorship of the applicant's goods rather than merely as a characteristic or the good.

As a practical mater, even if an applicant could prove (i) that the flavor it seeks to register is not a functional element of its product and (ii) consumers recognize the taste as an indication of the origin or sponsorship of the product, getting the application through the PTO's examination process may be difficult. The physical examination of a flavor mark by the PTO is impractical. In addition, the PTO requires a drawing of a mark and a specimen showing use of a mark in commerce before it will allow a mark to secure registration. These requirements present unique challenges to an applicant seeking the registration of flavor marks.

Sound Marks

A sound mark "identifies and distinguishes a product or service through audio rather than visiual means."[1] Sound marks that have successfully secured registration include MGM's lion's roar[2], Intel's three-second chord sequence used with the Pentium processor, and AT&T's spoken "AT&T" accompanied by music[3]. Though sound marks generally present fewer obstacles to registration than do other nontraditional marks, they can easily be rejected by the PTO. For example, General Electric applied for the sound of a ship's bell clock for radio broadcast services, which included "a series of bells tolled during four hour sequences, beginning with the ring at approximately a first half hour and incrasing in number by one ring at approximately each half hour thereafter."[4] However, the TTAB in affirming the PTO's refusal of registration, found the mark to resemble "commonplace" sounds as opposed to being arbitrary, unique, or distinctive.

Smell

The PTO has also allowed registration for various fruit fragrances, including cherries, grapes, and strawberries for lubricants and motor oil fuels . Even a "fresh, floral fragrance reminiscent of Plumeria blossoms"[6] used in connection with yarn has achieved registration. Applications for scent marks require a detailed written description of the mark explaining the scent along with a sample of the scent.

Tiffany & Company has registered the color blue

Color

Registrations for marks comprising color have grown increasingly common. For example, the United Parcel Service of America (UPS) has registered[7] the color brown for its transportation and delivery services. Tiffany & Company has registered[8] the color blue for its gift boxes. Smucker's registered[9] the alternating wavy columns of peanut butter and jelly of its combined peanut butter and jelly food spread. Securing registration for color marks presents unique challenges. Color marks are never inherently distinctive, and cannot be registered on the Principal Register without a showing of acquired distinctiveness[10]. Further, color, whether a single overall color or multiple colors applied in a specific and arbitrary fashion, is usually perceived as an ornamental feature of the goods or services[11]. However, if a color is not functional and is shown to have acquired distinctiveness on or in connection with the applicant's goods or services, it is registrable as a mark[12].

Conclusion

Registering a nontraditional trademark is hardly a simple process. Color, sound and scent marks may be registered in the United States if they are used in commerce, indicative of source and distinctive. A carefully drafted application for registration that incorporates a well thought approach to the prosecution of a nontraditional trademark anticipating problems as well as strategies for overcoming them is critical to achieving registration.

[1] TMEP 56 § 1202.15
[2] Reg. No. 1395550.
[3] Reg. No. 2584220.
[4] 199 UPSQ 561
[5] Reg. No. 2463044, 2568512, 2956156
[6] *In re Celia Clarke, DBA Clarke's Osewez*, 17 U.S.P.Q.2d 1238, Serial No. 758,429 (TTAB 1990).
[7] Reg. No. 2901090.
[8] Reg. No. 2184128.
[9] Reg. No. 2478798.
[10] *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 211-212, 54 USPQ2d 1065, 1068 (2000)
[11] *In re Owens-Corning*, 227 USPQ at 422, 774 F.2d at 1124
[12] TMEP § 1202.05

Marcus Stephen Harris, LLC

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