

UNFAIR COMPETITION: TRADE SECRET AND TRADEMARK LAW

UNFAIR COMPETITION LAW GENERALLY

Restatement (Third) of the Law, Unfair Competition (1995)

§ 1 *General Principles*. One who causes harm to the commercial relations of another by engaging in a business or trade is not subject to liability to the other for such harm unless:

(a) the harm results from acts or practices of the actor actionable by the other under the rules of this Restatement relating to:

(1) deceptive marketing . . .

(2) infringement of trademarks and other indicia of identification . . .

(3) appropriation of intangible trade values including trade secrets and the right of publicity . . .

(b) the acts or practices of the actor are actionable by the other under federal or state statutes, international agreements, or general principles of common law apart from those considered in this Restatement. . . .

* * *

TRADE SECRET LAW

Oxford History: 273

What Qualifies as a Trade Secret?

BUFFETS, INC. v. KLINKE
73 F.3d 965 (7th Cir. 1996)

D.W. NELSON, Circuit Judge:

[Buffets Inc., doing business as Old Country Buffets (“OCB”), brought this action against the Klinkes for misappropriation of trade secrets. OCB alleged that the Klinkes had misappropriated its recipes and its job training manuals, both of which it claimed as trade secrets, in order to open their own buffet restaurant. While the means employed by the Klinkes to obtain the desired information (including considerable subterfuge and dealings with former OCB employees) were indeed questionable, the district court ultimately judgment in favor of the Klinkes on the basis that neither the recipes nor the job manuals were trade secrets.]

Trade Secret Status of the Recipes

[Following § 1(4) of the Uniform Trade Secrets Act (1979),] 34 RCW § 19.108.010(4) defines a trade secret as:

information, including a formula, pattern, compilation, program, device, method, technique or process that:

(a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. . . .

Many of OCB's . . . arguments on appeal appear to misunderstand the logic of the district court's opinion. The district court did *not* hold, as OCB contends, that the recipes were not trade secrets merely because they had their origins in the public domain, but also because many of them were "basic American dishes that are served in buffets across the United States." This finding was certainly not erroneous. . . . [T]his is not a case where material from the public domain has been refashioned or recreated in such a way so as to be an original product, but is rather an instance where the end-product is itself unoriginal.

Furthermore, OCB mischaracterizes the court's holding regarding the extent to which the recipes were readily ascertainable, suggesting that the court denied the recipes trade secret status merely because they could be reproduced. While this is not altogether incorrect, it was the *reason* that the recipes could be reproduced -- namely, because they were little more than typical American fare -- that led the court to conclude that they were readily ascertainable and thus not entitled to trade secret protection. [T]he alleged secrets here at issue were found to be so obvious that very little effort would be required to "discover" them.

OCB's contention that material may be protected by trade secret law even if its origins are in the public domain is thus irrelevant. Not only did the district court hold that the recipes and their procedures had their origins in well-known American cuisine, but it also maintained that in spite of their alleged innovative detail, they "[were] fairly basic" and could easily be discovered by others. . . .

The court further held that the recipes had no independent economic value . . .

The district court did not reach the issue of whether the efforts to maintain the secrecy of the recipes were reasonable under the circumstances. OCB contends that the court's factual finding that the recipes were stamped "confidential" mandates a finding that the security efforts were appropriate. As will be discussed below, consideration of whether security efforts were reasonable involves an analysis of a number of factors . . .

Trade Secret Status of the Job Manuals

The district court held that the job manuals were not trade secrets as they were not the subject of reasonable efforts to maintain their secrecy. Commenting upon OCB's security measures, the court observed that “[g]iven the limited tenure of buffet employees, and the fact that they often move from restaurant to restaurant, a company which allows its employees to keep job position manuals cannot be heard to complain when its manuals fall into the hands of its rivals.”

. . . [T]he fact that employees were advised of neither the manuals' status as secrets, nor of security measures that should be taken to prevent their being obtained by others, suggests that OCB's interest in security was minimal. . . .

Finally, OCB argues that since the Klinkes illegally obtained the manuals, the question of whether the security measures taken to protect them were reasonable is irrelevant. This argument, however, misses the mark, as the issue of whether security measures were reasonable pertains to the preliminary question of whether the material is in fact a trade secret. If it is not, then the Klinkes may be liable for stealing *something*, but they cannot be liable for misappropriation of trade secrets. . . .

The judgment of the district court is AFFIRMED.

What Constitutes “Improper Means”?

E.I. DUPONT DE NEMOURS & CO. V. CHRISTOPHER

431 F.2d 1012 (5th Cir. 1970)

GOLDBERG, J.

This is a case of industrial espionage in which an airplane is the cloak and a camera the dagger. The defendants-appellants, Rolfe and Gary Christopher, are photographers in Beaumont, Texas. The Christophers were hired by an unknown third party to take aerial photographs of new construction at the Beaumont plant of E. I. duPont deNemours & Company, Inc. Sixteen photographs of the DuPont facility were taken from the air on March 19, 1969, and these photographs were later developed and delivered to the third party.

DuPont employees apparently noticed the airplane on March 19 and immediately began an investigation to determine why the craft was circling over the plant. By that afternoon the investigation had disclosed that the craft was involved in a photographic expedition and that the Christophers were the photographers. DuPont contacted the Christophers that same afternoon and asked them to reveal the name of the person or corporation requesting the photographs. The Christophers refused to disclose this information, giving as their reason the client's desire to remain anonymous.

Having reached a dead end in the investigation, DuPont subsequently filed suit against the Christophers, alleging that the Christophers had wrongfully obtained photographs revealing DuPont's trade secrets which they then sold to the undisclosed third party. DuPont contended

that it had developed a highly secret but unpatented process for producing methanol, a process which gave DuPont a competitive advantage over other producers. This process, DuPont alleged, was a trade secret developed after much expensive and time-consuming research, and a secret which the company had taken special precautions to safeguard. The area photographed by the Christophers was the plant designed to produce methanol by this secret process, and because the plant was still under construction parts of the process were exposed to view from directly above the construction area. Photographs of that area, DuPont alleged, would enable a skilled person to deduce the secret process for making methanol. DuPont thus contended that the Christophers had wrongfully appropriated DuPont trade secrets by taking the photographs and delivering them to the undisclosed third party. . . .

. . . The Christophers argue that for an appropriation of trade secrets to be wrongful there must be a trespass, other illegal conduct, or breach of a confidential relationship. We disagree.

It is true, as the Christophers assert, that the previous trade secret cases have contained one or more of these elements. However, we do not think that the Texas courts would limit the trade secret protection exclusively to these elements. On the contrary, in *Hyde Corp. v. Huffines*, 314 S.W.2d 763 (Tex. 1958), the Texas Supreme Court specifically adopted the rule found in the *Restatement of Torts* which provides:

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him * * *.'

Restatement of Torts § 757 (1939).

Thus, although the previous cases have dealt with a breach of a confidential relationship, a trespass, or other illegal conduct, the rule is much broader than the cases heretofore encountered. Not limiting itself to specific wrongs, Texas adopted subsection (a) of the *Restatement* which recognizes a cause of action for the discovery of a trade secret by any "improper" means. . . .

The question remaining, therefore, is whether aerial photography of plant construction is an improper means of obtaining another's trade secret. . . .

We think . . . that the Texas rule is clear. One may use his competitor's secret process if he discovers the process by reverse engineering applied to the finished product; one may use a competitor's process if he discovers it by his own independent research; but one may not avoid these labors by taking the process from the discoverer without his permission at a time when he is taking reasonable precautions to maintain its secrecy. . . .

In taking this position we realize that industrial espionage of the sort here perpetrated has become a popular sport in some segments of our industrial community. However, our devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations. Our tolerance of the espionage game must cease when the protections required to prevent another's spying cost so much that the spirit of inventiveness is dampened. . . .

. . . 'Improper' will always be a word of many nuances, determined by time, place, and circumstances. We therefore need not proclaim a catalogue of commercial improprieties. Clearly, however, one of its commandments does say "thou shall not appropriate a trade secret through deviousness under circumstances in which countervailing defenses are not reasonably available."

. . . The decision of the trial court is affirmed . . .

Other Provisions of Trade Secret Law

Uniform Trade Secrets Act (1979)

§2. *Injunctive Relief*

(a) Actual or threatened misappropriation may be enjoined. Upon application to the court an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.

(b) In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.

(c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

§3. *Damages*

(a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by Uniform Trade Secrets Act misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

(b) If willful and malicious misappropriation exists, the court may award exemplary damages in the amount not exceeding twice any award made under subsection (a).

§4. *Attorney's Fees*

If (i) a claim of misappropriation is made in bad faith, (ii) a motion to terminate an injunction is made or resisted in bad faith, or (iii) willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party.

§5. *Preservation of Secrecy*

In action under this Act, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

§6. Statute of Limitations

An action for misappropriation must be brought within 3 years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.

What Else?

Ownership/Use
Duration
The Trade Secret/Patent Law Interface

* * *

TRADEMARK LAW

Oxford History: 271-272

What First?

Definition

15 U.S.C. § 1127

The term "trademark" includes any word, name, symbol, or device, or any combination thereof –

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

[In addition to the principal register referenced above in the statute, trademark law provides a supplemental register for words, names, etc., that do not yet qualify for registered trademark status but are capable of achieving such status upon the acquisition of secondary meaning, as hereinafter explained. Other registrable marks, not covered in this course, include service marks, certification marks, and collective marks. – Ed.]

Use/Ownership
Duration, Renewal, Constructive Notice, and Incontestability
The Trademark/Copyright Interface

The Common Law, The Lanham Act, and Federal Preemption

Cross, Long, Vetter & Yu
INTELLECTUAL PROPERTY LAW (forthcoming 2011)

A Brief Introduction to the Lanham (Federal Trademark) Law

Federal trademarks are governed by a particular statute, codified at 15 U.S.C. §§ 1051–1127. While officially this statute may be referred to as the “Federal Trademark Act,” its unofficial designation (and the one used by practitioners) is the “Lanham Act,” named after the sponsor of the bill that became the act. While the statute has been modified many times since its adoption, the term “Lanham Act” has remained to describe all of its contents. Like copyright and patents, federal trademark law is based first on the relevant code provisions, and second on the cases that interpret those provisions and concepts. The Lanham Act not only contains provisions dealing with the federal registration and protection of trademarks, but also contains provisions prohibiting false advertising, trademark dilution and cybersquatting.

The Federal-State Dichotomy and Federal Preemption

Unlike patents and copyrights, there is no complete statutory or federal preemption for trademarks. Consequently, every state has a state trademark statute and registration system. These statutes, however, largely reflect the analysis used under the Lanham Act for determining protection and infringement of trademark rights.

One critical distinction between federal and state trademark rights, however, lies in the nature of the use that is required for protection to attach. Because federal trademark protection is based on the Commerce Clause, only marks which have been used in interstate or foreign commerce qualify for federal trademark registration and protection. Of course, “interstate commerce” is a broad concept, including many purely in-state activities that have a sufficient “effect” on interstate commerce. Nevertheless, if a mark is truly only used in intrastate commerce, it must be protected, if at all, under state laws. However, simply because a mark is used in interstate commerce does not preclude protection under state law, or registration with a state registry.

State registration is often a useful first step in trademark protection for start-up companies who have not yet developed interstate use. In addition, state registration may be more forgiving of problems with distinctiveness, providing useful protection while marks develop necessary consumer recognition for federal registration. Finally, some states provide slightly broader protection under state antidilution statutes. Thus, for example, while the present federal dilution statute only applies to “famous” marks, some states provide dilution protection for any mark whose distinctiveness is likely to be diluted by unauthorized third party uses.

ZATARAIN'S, INC. v. OAK GROVE SMOKEHOUSE, INC.

698 F.2d 786 (5th Cir. 1983)

GOLDBERG, Circuit Judge:

This appeal of a trademark dispute presents us with a menu of edible delights sure to tempt connoisseurs of fish and fowl alike. At issue is the alleged infringement of two trademarks, "Fish-Fri" and "Chick-Fri," held by appellant Zatarain's, Inc. ("Zatarain's"). . . .

I. FACTS AND PROCEEDINGS BELOW

A. THE TALE OF THE TOWN FRIER

Zatarain's is the manufacturer and distributor of a line of over one hundred food products. Two of these products, "Fish-Fri" and "Chick-Fri," are coatings or batter mixes used to fry foods. These marks serve as the entree in the present litigation.

Zatarain's "Fish-Fri" consists of 100% corn flour and is used to fry fish and other seafood. "Fish-Fri" is packaged in rectangular cardboard boxes containing twelve or twenty-four ounces of coating mix. The legend "Wonderful FISH-FRI ®" is displayed prominently on the front panel, along with the block Z used to identify all Zatarain's products. The term "Fish-Fri" has been used by Zatarain's or its predecessor since 1950 and has been registered as a trademark since 1962.

Zatarain's "Chick-Fri" is a seasoned corn flour batter mix used for frying chicken and other foods. The "Chick-Fri" package, which is very similar to that used for "Fish-Fri," is a rectangular cardboard container labeled "Wonderful CHICK-FRI." Zatarain's began to use the term "Chick-Fri" in 1968 and registered the term as a trademark in 1976.

Zatarain's products are not alone in the marketplace. At least four other companies market coatings for fried foods that are denominated "fish fry" or "chicken fry." Two of these competing companies are the appellees here, and therein hangs this fish tale.

Appellee Oak Grove Smokehouse, Inc. ("Oak Grove") began marketing a "fish fry" and a "chicken fry" in March 1979. Both products are packaged in clear glassine packets that contain a quantity of coating mix sufficient to fry enough food for one meal. The packets are labeled with Oak Grove's name and emblem, along with the words "FISH FRY" or "CHICKEN FRY." Oak Grove's "FISH FRY" has a corn flour base seasoned with various spices; Oak Grove's "CHICKEN FRY" is a seasoned coating with a wheat flour base. [The court mentions several other competing products, including Visko's FISH FRY. None of the marks in question are pictured in the opinion. – Ed.]

B. OUT OF THE FRYING PAN, INTO THE FIRE

Zatarain's first claimed foul play in its original complaint filed against Oak Grove on June 19, 1979 . . . The complaint alleged trademark infringement and unfair competition under the Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (1976), and La.Rev.Stat. Ann. § 51:1405(A). . . .

III. THE TRADEMARK CLAIMS

A. BASIC PRINCIPLES

1. Classifications of Marks

The threshold issue in any action for trademark infringement is whether the word or phrase is initially registerable or protectable. Courts and commentators have traditionally divided potential trademarks into four categories. A potential trademark may be classified as (1) generic, (2) descriptive, (3) suggestive, or (4) arbitrary or fanciful. These categories, like the tones in a spectrum, tend to blur at the edges and merge together. The labels are more advisory than definitional, more like guidelines than pigeonholes. Not surprisingly, they are somewhat difficult to articulate and to apply.

A *generic* term is “the name of a particular genus or class of which an individual article or service is but a member.” *Vision Center [v. Opticks, Inc.]*, 596 F.2d 111, 115 (5th Cir. 1980)] . . . A generic term connotes the “basic nature of articles or services” rather than the more individualized characteristics of a particular product. *American Heritage [Ins. Co. v. Heritage Life Ins. Co.]*, 494 F.2d [3, 11 (5th Cir. 1974)]. Generic terms can never attain trademark protection. Furthermore, if at any time a registered trademark becomes generic as to a particular product or service, the mark's registration is subject to cancellation. Lanham Act § 14, 15 U.S.C. § 1064(c) (1976). Such terms as aspirin and cellophane have been held generic and therefore unprotectable as trademarks. . . .

A *descriptive* term “identifies a characteristic or quality of an article or service,” *Vision Center*, 596 F.2d at 115, such as its color, odor, function, dimensions, or ingredients. *American Heritage*, 494 F.2d at 11. Descriptive terms ordinarily are not protectable as trademarks, Lanham Act § 2(e)(1), 15 U.S.C. § 1052(e)(1) (1976); they may become valid marks, however, by acquiring a secondary meaning in the minds of the consuming public. See *id.* § 2(f), 15 U.S.C. § 1052(f). Examples of descriptive marks would include “Alo” with reference to products containing gel of the aloe vera plant, and “Vision Center” in reference to a business offering optical goods and services. As this court has often noted, the distinction between descriptive and generic terms is one of degree. The distinction has important practical consequences, however; while a descriptive term may be elevated to trademark status with proof of secondary meaning, a generic term may never achieve trademark protection.

A *suggestive* term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services. A suggestive mark is protected without the necessity for proof of secondary meaning. The term “Coppertone” has been held suggestive in regard to sun tanning products.

Arbitrary or *fanciful* terms bear no relationship to the products or services to which they are applied. Like suggestive terms, arbitrary and fanciful marks are protectable without proof of secondary meaning. The term “Kodak” is properly classified as a fanciful term for photographic supplies; “Ivory” is an arbitrary term as applied to soap.

2. Secondary Meaning

As noted earlier, descriptive terms are ordinarily not protectable as trademarks. They may be protected, however, if they have acquired a secondary meaning for the consuming public. The concept of secondary meaning recognizes that words with an ordinary and primary meaning of their own “may by long use with a particular product, come to be known by the public as specifically designating that product.” *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474, 477 (5th Cir.1974). In order to establish a secondary meaning for a term, a plaintiff “must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.” *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938). The burden of proof to establish secondary meaning rests at all times with the plaintiff; this burden is not an easy one to satisfy, for “[a] high degree of proof is necessary to establish secondary meaning for a descriptive term.” *Vision Center*, 596 F.2d at 118 (quoting 3 R. Callman, [The Law of Unfair Competition, Trademarks and Monopolies], § 77.3, at 359 (3d ed. 1969)). Proof of secondary meaning is an issue only with respect to descriptive marks; suggestive and arbitrary or fanciful marks are automatically protected upon registration, and generic terms are unprotectible even if they have acquired secondary meaning. . . .

B. “FISH-FRI”³

1. Classification

Throughout this litigation, Zatarain's has maintained that the term “Fish-Fri” is a suggestive mark automatically protected from infringing uses by virtue of its registration in 1962. Oak Grove and Visko's assert that “fish fry” is a generic term identifying a class of foodstuffs used to fry fish; alternatively, Oak Grove and Visko's argue that “fish fry” is merely descriptive of the characteristics of the product. The district court found that “Fish-Fri” was a descriptive term identifying a function of the product being sold. Having reviewed this finding under the appropriate “clearly erroneous” standard, we affirm.

We are mindful that “[t]he concept of descriptiveness must be construed rather broadly.” 3 R. Callman, *supra*, § 70.2. Whenever a word or phrase conveys an immediate idea of the

qualities, characteristics, effect, purpose, or ingredients of a product or service, it is classified as descriptive and cannot be claimed as an exclusive trademark. Courts and commentators have formulated a number of tests to be used in classifying a mark as descriptive.

A suitable starting place is the dictionary . . . *Webster's Third New International Dictionary* 858 (1966) lists the following definitions for the term "fish fry": "1. a picnic at which fish are caught, fried, and eaten; 2. fried fish." Thus, the basic dictionary definitions of the term refer to the preparation and consumption of fried fish. This is at least preliminary evidence that the term "Fish-Fri" is descriptive of Zatarain's product in the sense that the words naturally direct attention to the purpose or function of the product.

The "imagination test" . . . seeks to measure the relationship between the actual words of the mark and the product to which they are applied. . . . In this case, mere observation compels the conclusion that a product branded "Fish-Fri" is a prepackaged coating or batter mix applied to fish prior to cooking. The connection between this merchandise and its identifying terminology is so close and direct that even a consumer unfamiliar with the product would doubtless have an idea of its purpose or function. It simply does not require an exercise of the imagination to deduce that "Fish-Fri" is used to fry fish. . . .

A third test used by courts and commentators to classify descriptive marks is "whether competitors would be likely to need the terms used in the trademark in describing their products." *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 379 (7th Cir.1976). . . . There are many edible fish in the sea, and as many ways to prepare them as there are varieties to be prepared. Even piscatorial gastronomes would agree, however, that frying is a form of preparation accepted virtually around the world, at restaurants starred and unstarred. The paucity of synonyms for the words "fish" and "fry" suggests that a merchant whose batter mix is specially spiced for frying fish is likely to find "fish fry" a useful term for describing his product.

A final barometer of the descriptiveness of a particular term examines the extent to which a term actually has been used by others marketing a similar service or product. *Vision Center*, 596 F.2d at 117. . . . [A] number of companies other than Zatarain's have chosen the word combination "fish fry" to identify their batter mixes. Arnaud's product, "Oyster Shrimp and Fish Fry," has been in competition with Zatarain's "Fish-Fri" for some ten to twenty years. When companies from A to Z, from Arnaud to Zatarain's, select the same term to describe their similar products, the term in question is most likely a descriptive one.

. . . Having applied the four prevailing tests of descriptiveness to the term "Fish-Fri," we are convinced that the district court's judgment in this matter is not only not clearly erroneous, but clearly correct.

2. Secondary Meaning

Descriptive terms are not protectable by trademark absent a showing of secondary meaning in the minds of the consuming public. To prevail in its trademark infringement action, therefore, Zatarain's must prove that its mark "Fish-Fri" has acquired a secondary meaning and thus warrants trademark protection. . . .

In assessing a claim of secondary meaning, the major inquiry is the consumer's attitude toward the mark. The mark must denote to the consumer "a single thing coming from a single source," *Coca-Cola Co. v. Koke Co.*, 254 U.S. 143, 146 (1920), to support a finding of secondary meaning. Both direct and circumstantial evidence may be relevant and persuasive on the issue. . . .

Since 1950, Zatarain's and its predecessor have continuously used the term "Fish-Fri" to identify this particular batter mix. Through the expenditure of over \$400,000 for advertising during the period from 1976 through 1981, Zatarain's has promoted its name and its product to the buying public. Sales of twelve-ounce boxes of "Fish-Fri" increased from 37,265 cases in 1969 to 59,439 cases in 1979. From 1964 through 1979, Zatarain's sold a total of 916,385 cases of "Fish-Fri." . . .

In addition to these circumstantial factors, Zatarain's introduced at trial two surveys conducted by its expert witness, Allen Rosenzweig. In one survey, telephone interviewers questioned 100 women in the New Orleans area who fry fish or other seafood three or more times per month. Of the women surveyed, twenty-three percent specified *Zatarain's* "Fish-Fri" as a product they "would buy at the grocery to use as a coating" or a "product on the market that is especially made for frying fish." . . .

The authorities are in agreement that survey evidence is the most direct and persuasive way of establishing secondary meaning. The district court believed that the survey evidence produced by Zatarain's, when coupled with the circumstantial evidence of advertising and usage, tipped the scales in favor of a finding of secondary meaning. . . . [W]e cannot say that the district court's conclusion was clearly erroneous. Accordingly, the finding of secondary meaning in the New Orleans area for Zatarain's descriptive term "Fish-Fri" must be affirmed. . . .

C. "CHICK-FRI"

1. Classification

Most of what has been said about "Fish-Fri" applies with equal force to Zatarain's other culinary concoction, "Chick-Fri." "Chick-Fri" is at least as descriptive of the act of frying chicken as "Fish-Fri" is descriptive of frying fish. It takes no effort of the imagination to associate the term "Chick-Fri" with Southern fried chicken. Other merchants are likely to want to use the words "chicken fry" to describe similar products, and others have in fact done so. Sufficient

evidence exists to support the district court's finding that "Chick-Fri" is a descriptive term; accordingly, we affirm.

2. Secondary Meaning

. . . The mark "Chick-Fri" has been in use only since 1968; it was registered even more recently, in 1976. In sharp contrast to its promotions with regard to "Fish-Fri," Zatarain's advertising expenditures for "Chick-Fri" were mere chickenfeed . . .

Allen Rosenzweig's survey evidence regarding a secondary meaning for "Chick-Fri" also "lays an egg." . . .

. . . Zatarain's . . . has the burden of proof to establish secondary meaning for its term. This it has failed to do. The district court's finding that the term "Chick-Fri" lacks secondary meaning is affirmed. . . .

V. CONCLUSION

And so our tale of fish and fowl draws to a close. We need not tarry long, for our taster's choice yields but one result, and we have other fish to fry. Accordingly, the judgment of the district court is hereby and in all things AFFIRMED.

Examples

<u>Mark</u>	<u>Purpose</u>	<u>Category</u>
Food Fair	Supermarkets	?
Beef and Brew	Restaurants	?
Precisions Cuts	Barber Shops	?
Wrangler	Jeans	?
Gobble Gobble	Turkey Meat	?
Hula Hoops	Toys	?
Black & White Scotch Whiskey		?
Nova	Television Series	?
Apple	Computers	?
Kodak	Film	?
Exxon	Petroleum Products	?
Yuban	Coffee	?

Ineligible Matter

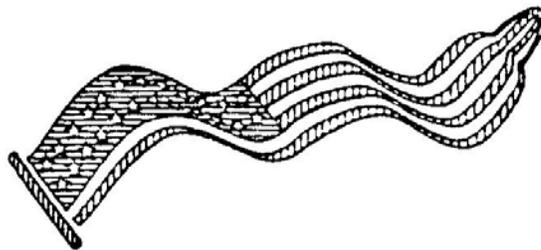
IN RE OLD GLORY CONDOM CORP.

U.S.P.T.O. Trademark Trial and Appeal Board

26 U.S.P.Q.2d 1216 (1993)

SAMS, Member.

Old Glory Condom Corp. has appealed from the examining attorney's final refusal to register its mark "OLD GLORY CONDOM CORP" (and design), as shown below, for "prophylactics (condoms)." The design feature of applicant's mark consists of a pictorial representation of a condom decorated with stars and stripes in a manner to suggest the American flag.¹



OLD GLORY CONDOM CORP

The drawing of the mark is lined for the colors red and blue.

The examining attorney refused registration, under section 2(a) of the Trademark Act, on the grounds that the mark consists of immoral or scandalous matter.² . . .

Applicant's Use of Its Mark

The record on appeal shows that applicant corporation was formed after Jay Kritchley, applicant's president, participated in an exhibition at the List Visual Arts Center of the Massachusetts Institute of Technology (M.I.T.) in Cambridge, Massachusetts. The exhibition, held in October 1989, was entitled "Trouble in Paradise" and focused on artists' responses to contemporary social and political issues. Mr. Kritchley's exhibit was an adaptation of the

² Section 2 of the Trademark Act (15 U.S.C. Section 1052) provides, in pertinent part, as follows:

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it --

(a) Consists of or comprises immoral, deceptive, or scandalous matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute. * * *

symbols of American patriotism to focus attention on the AIDS epidemic and, in particular, to emphasize that Americans have a patriotic duty to fight the AIDS epidemic and other sexually transmitted diseases. Applicant states that, when the exhibition received widespread critical acclaim, Mr. Kritchley decided to turn his theoretical concepts into a corporate enterprise, which now markets condoms under the mark applicant is seeking to register.

While the American flag design appears as a feature of applicant's trademark for condoms, the flag design is not applied to the condoms themselves. Applicant states that on the back of each condom package is the "Old Glory Pledge":

We believe it is patriotic to protect and save lives. We offer only the highest quality condoms. Join us in promoting safer sex. Help eliminate AIDS. A portion of Old Glory profits will be donated to AIDS related services. . . .

"Scandalous" Marks under Section 2(a)

There is relatively little published precedent to guide us in deciding whether a mark is "scandalous" within the meaning of Section 2(a) of the Trademark Act. The examining attorney places principal reliance on *In re McGinley*, 211 USPQ 668 (CCPA 1981), the most recent decision in which the Board's reviewing court has interpreted the section of the Trademark Act here at issue. In *McGinley*, the Court was asked to decide the registrability of a mark comprising a photograph of a man and woman kissing and embracing in a manner appearing to expose the man's genitalia. In deciding whether the mark presented for registration was "scandalous" under Section 2(a), the Court first noted that whether a mark is scandalous is to be determined from the standpoint of a substantial composite of the general public. To define "scandalous," under Section 2(a), the Court . . . cite[d] dictionary definitions of "scandalous" as . . . "shocking to the sense of truth, decency, or propriety; disgraceful, offensive; disreputable. . . ." [Funk & Wagnalls New Standard Dictionary (1945)]. In an attempt to put these provisions of Section 2(a) in context, the Court expressed its opinion that this section of the Trademark Act represents not ". . . an attempt to legislate morality, but, rather a judgment by the Congress that such marks not occupy the time, services, and use of funds of the federal government." . . . [T]he Court . . . concluded that the mark for which registration was sought . . . was scandalous and, therefore, unregistrable.

[Other notable cases cited by the Board involved: the mark "BULLSHIT" for attache cases; the mark "BIG PECKER BRAND" for T-shirts; a design consisting of the silhouette of a defecating dog, as a mark for T-shirts; and a design for "MOONIES" dolls, which, upon the squeezing of an attached collapsible bulb, dropped their pants.]

. . . [W]hat was considered scandalous as a trademark or service mark twenty, thirty or fifty years ago may no longer be considered so, given the changes in societal attitudes. Marks once thought scandalous may now be thought merely humorous (or even quaint). . . . [I]n

deciding whether a mark is scandalous under Section 2(a), we must consider that mark in the context of contemporary attitudes. . . .

Registrability of Applicant's Mark

. . . As applicant has asserted (and as the examining attorney seems to concede), this Office has registered many trademarks and service marks that include imagery of the American flag. While we realize that there may be citizens of this country who disapprove of *any* commercial use of the American flag or American flag imagery, such uses have been sufficiently common that there can be no justification for refusing registration of applicant's mark simply on the basis of the presence in that mark of flag imagery. Nor do we find any evidence in this case that convinces us that a mark containing a pictorial representation of a condom should, simply because of that fact, be refused registration as scandalous. . . . The examining attorney's objection to applicant's mark seems to be directed to the mark's linking of flag imagery and a pictorial representation of a condom, each of which, in itself, she apparently finds unobjectionable. Precisely *why* this combination of images is scandalous the examining attorney fails to articulate. . . .

Moreover, whether applicant's mark would be likely to offend must be judged not in isolation but in the entire context of the mark's use. . . . Here, applicant markets its condoms in packaging which emphasizes applicant's commitment to the sale of high quality condoms as a means of promoting safer sex and eliminating AIDS and its belief that the use of condoms is a patriotic act. . . .

Decision: The refusal to register is reversed.

Trade Dress Protection

TWO PESOS, INC. v. TACO CABANA, INC.
505 U.S. 763 (1992)



Infringement

AMF INC. v. SLEEKCRAFT BOATS

599 F.2d 341 (9th Cir. 1979)

J. BLAINE ANDERSON, Circuit Judge:

In this trademark infringement action, the district court, after a brief non-jury trial, found appellant AMF's trademark was valid, but not infringed, and denied AMF's request for injunctive relief.

AMF and appellee Nescher both manufacture recreational boats. AMF uses the mark Slickcraft, and Nescher uses Sleekcraft. The crux of this appeal is whether concurrent use of the two marks is likely to confuse the public. The district judge held that confusion was unlikely. We disagree and remand for entry of a limited injunction.

I. FACTS

AMF's predecessor used the name Slickcraft Boat Company from 1954 to 1969 when it became a division of AMF. The mark Slickcraft was federally registered on April 1, 1969, and has been continuously used since then as a trademark for this line of recreational boats.

Slickcraft boats are distributed and advertised nationally. AMF has authorized over one hundred retail outlets to sell the Slickcraft line. For the years 1966-1974, promotional expenditures for the Slickcraft line averaged approximately \$200,000 annually. Gross sales for the same period approached \$50,000,000.

After several years in the boat-building business, appellee Nescher organized a sole proprietorship, Nescher Boats, in 1962. This venture failed in 1967. In late 1968 Nescher began anew and adopted the name Sleekcraft. Since then Sleekcraft has been the Nescher trademark. The name Sleekcraft was selected without knowledge of appellant's use. After AMF notified him of the alleged trademark infringement, Nescher adopted a distinctive logo and added the identifying phrase "Boats by Nescher" on plaques affixed to the boat and in much of its advertising. The Sleekcraft mark still appears alone on some of appellee's stationery, signs, trucks, and advertisements.



The Sleekcraft venture succeeded. Expenditures for promotion increased from \$6,800 in 1970 to \$126,000 in 1974. Gross sales rose from \$331,000 in 1970 to over \$6,000,000 in 1975. Like AMF, Nescher sells his boats through authorized local dealers. Slickcraft boats are advertised primarily in magazines of general circulation. Nescher advertises primarily in publications for boat racing enthusiasts. Both parties exhibit their product line at boat shows, sometimes the same show. . . .

V. FACTORS RELEVANT TO LIKELIHOOD OF CONFUSION

In determining whether confusion between related goods [i.e., products which would be reasonably thought by the buying public to come from the same source if sold under the same mark] is likely, the following factors are relevant:

1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant's intent in selecting the mark; and
8. likelihood of expansion of the product lines.

See . . . Restatement of Torts § 731 (1938). We discuss each serially.

1. Strength of the mark

A strong mark is inherently distinctive, for example, an arbitrary or fanciful mark; it will be afforded the widest ambit of protection from infringing uses. A descriptive mark tells something about the product; it will be protected only when secondary meaning is shown. In between lie suggestive marks which subtly connote something about the products. Although less distinctive than an arbitrary or fanciful mark and therefore a comparatively weak mark, a suggestive mark will be protected without proof of secondary meaning.

. . . [W]e hold that Slickcraft is a suggestive mark when applied to boats. . . . Although appellant's mark is protectible and may have been strengthened by advertising, it is a weak

mark entitled to a restricted range of protection. Thus, only if the marks are quite similar, and the goods closely related, will infringement be found.

2. Proximity of the goods

For related goods, the danger presented is that the public will mistakenly assume there is an association between the producers of the related goods, though no such association exists. The more likely the public is to make such an association, the less similarity in the marks is requisite to a finding of likelihood of confusion. . . .

Although these product lines are non-competing, they are extremely close in use and function. . . . [T]hey are so closely related that a diminished standard of similarity must be applied when comparing the two marks.

3. Similarity of the marks

The district court found that “the two marks are easily distinguishable in use either when written or spoken.” . . .

Similarity of the marks is tested on three levels: sight, sound, and meaning. Each must be considered as they are encountered in the marketplace. Although similarity is measured by the marks as entities, similarities weigh more heavily than differences.

Standing alone the words Sleekcraft and Slickcraft are the same except for two inconspicuous letters in the middle of the first syllable. To the eye, the words are similar.

In support of the district court's finding, Nescher points out that the distinctive logo on his boats and brochures negates the similarity of the words. We agree: the names appear dissimilar when viewed in conjunction with the logo, but the logo is often absent. . . .

Sound is also important because reputation is often conveyed word-of-mouth. We recognize that the two sounds can be distinguished, but the difference is only in a small part of one syllable. In *G. D. Searle & Co. v. Chas. Pfizer & Co.*, 265 F.2d 385 (CA 7 1959), the court reversed the trial court's finding that Bonamine sounded “unlike” Dramamine, stating that: “Slight differences in the sound of trademarks will not protect the infringer.” *Id.* at 387. The difference here is even slighter. . . .

Neither expert testimony nor survey evidence was introduced below to support the trial court's finding that the marks were easily distinguishable to the eye and the ear. The district judge based his conclusion on a comparison of the marks. After making the same comparison, we are left with a definite and firm conviction that his conclusion is incorrect. . . .

4. Evidence of actual confusion

Evidence that use of the two marks has already led to confusion is persuasive proof that future confusion is likely. . . .

The district judge found that in light of the number of sales and the extent of the parties' advertising, the amount of past confusion was negligible. We cannot say this finding is clearly erroneous though we might have viewed the evidence more generously. . . .

5. Marketing channels

Convergent marketing channels increase the likelihood of confusion. There is no evidence in the record that both lines were sold under the same roof except at boat shows; the normal marketing channels used by both AMF and Nescher are, however, parallel. . . .

6. Type of goods and purchaser care

. . . In assessing the likelihood of confusion to the public, the standard used by the courts is the typical buyer exercising ordinary caution. Although the wholly indifferent may be excluded, the standard includes the ignorant and the credulous. When the buyer has expertise in the field, a higher standard is proper though it will not preclude a finding that confusion is likely. Similarly, when the goods are expensive, the buyer can be expected to exercise greater care in his purchases; again, though, confusion may still be likely.

The parties vigorously dispute the validity of the trial court's finding on how discriminating the average buyer actually is. Although AMF presented expert testimony to the contrary, the court's finding is amply supported by the record. . . .

7. Intent

The district judge found that Nescher was unaware of appellant's use of the Slickcraft mark when he adopted the Sleekcraft name. There was no evidence that anyone attempted to palm off the latter boats for the former. And after notification of the purported infringement, Nescher designed a distinctive logo. We agree with the district judge: appellee's good faith cannot be questioned.

When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived. Good faith is less probative of the likelihood of confusion, yet may be given considerable weight in fashioning a remedy.

8. Likelihood of expansion

Inasmuch as a trademark owner is afforded greater protection against competing goods, a "strong possibility" that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing. Restatement of Torts § 731(b) & Comment c. When goods are closely related, any expansion is likely to result in direct competition. The evidence shows that both parties are diversifying their model lines. The potential that one or both of the parties will enter the other's submarket with a competing model is strong.

VI. REMEDY

. . . [I]n “balancing the conflicting interests both parties have in the unimpaired continuation of their trade-mark use,” *Durox Co. v. Duron Paint Manufacturing Co.*, 320 F.2d 882, 885 [(4th Cir. 1963)], and the interest the public and the trade have in avoiding confusion, we conclude that a limited mandatory injunction is warranted. . . .

REVERSED and REMANDED.

Vicarious Liability and Contributory Infringement: Similar to Copyright (under common law and ALI Restatement (Third) of Unfair Competition)

STARBUCKS CORP. v. WOLFE’S BOROUGH COFFEE, INC.

588 F.3d 97 (2d Cir. 2009)

MINER, Circuit Judge:

I. BACKGROUND

. . . Starbucks, a company primarily engaged in the sale of coffee products, was founded in Seattle, Washington in 1971. Since its founding, Starbucks has grown to over 8,700 retail locations in the United States, Canada, and 34 foreign countries and territories. In addition to operating its retail stores, Starbucks supplies its coffees to hundreds of restaurants, supermarkets, airlines, sport and entertainment venues, motion picture theaters, hotels, and cruise ship lines. Starbucks also maintains an internet site that generates over 350,000 “hits” per week from visitors. . . .

Black Bear, also a company engaged in the sale of coffee products, has its principal place of business in Tuftonboro, New Hampshire. In contrast to Starbucks, Black Bear is a relatively small company owned by Jim Clark and his wife. It is a family-run business that “manufactures and sells roasted coffee beans and related goods via mail order, internet order, and at a limited number of New England supermarkets.” . . . In April 1997, Black Bear began selling a “dark roasted blend” of coffee called “Charbucks Blend” . . .

. . . Starbucks demanded that Black Bear cease use of the Charbucks Marks. Having felt wrongly threatened by Starbucks, and believing that “[w]e hadn’t done anything wrong,” Black Bear ultimately decided to continue selling its [product] . . . Mr. Clark later testified, “[m]y main objection was that basically this was a large corporation coming at me and saying, telling us what to do, and, oh, by the way you’re going to pay for it, too.... [S]ome of the requests that they were making were really off the wall.”

[After a bench trial, the district court entered judgment for Wolfe’s Borough on all counts of the complaint.]

II. DISCUSSION . . .

b. Federal Trademark Dilution

Under federal law, an owner of a “famous, distinctive mark” is entitled to an “injunction against the user of a mark that is ‘likely to cause dilution’ of the famous mark.” Although the requirement that the mark be “famous” and “distinctive” significantly limits the pool of marks that may receive dilution protection, that the Starbucks Marks are “famous” within the meaning of 15 U.S.C. § 1125(c) is not disputed by the parties in this case. . . .

1. Dilution by Blurring

Dilution by blurring is an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark,” 15 U.S.C. § 1125(c)(2)(B), and may be found “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury,” 15 U.S.C. § 1125(c)(1). Some classic examples of blurring include “hypothetical anomalies as Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.” See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir.1989).

Federal law specifies six non-exhaustive factors for the courts to consider in determining whether there is dilution by blurring:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B)(i)-(vi) . . . The District Court found that the second, third, and fourth factors favored Starbucks, and those findings are not challenged in this appeal.

[Considering the remaining first, fifth and sixth factors, the Court of Appeals concluded that the District Court had not clearly erred in finding the parties’ marks “minimally similar” but that it did err in applying the “intent to associate” and “actual association” factors. Accordingly, it reversed and remanded on the issue of blurring.]

2. Dilution by Tarnishment

Dilution by tarnishment is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C). “A trademark may be tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods.” *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497, 507 (2d Cir.1996). A trademark may also be diluted by tarnishment if the mark loses its ability to serve as a “wholesome identifier” of plaintiff's product. *Chemical Corp. v. Anheuser-Busch, Inc.*, 306 F.2d 433 (5th Cir.1962) (use of exterminator's slogan “where there's life, ... there's Bugs” tarnished the use of beer company's slogan “where there's life, ... there's Bud.”) . . . *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366 (S.D.N.Y.) (pornographic depiction of a Dallas Cowboys Cheerleader-style cheerleader in an adult film tarnished the professional mark of the Dallas Cowboys Cheerleaders). . . .

Starbucks also argues that “Charbucks” is a pejorative term for Starbucks' coffee, and, therefore, the Charbucks “name has negative associations that consumers are likely to associate with Starbucks' coffee.” . . . [But the fact] that the Charbucks line of coffee is marketed as a product of “[v]ery high quality” -- as Starbucks also purports its coffee to be -- is inconsistent with the concept of “tarnishment.” . . . Accordingly, we conclude that the District Court did not err in rejecting Starbucks' claim of dilution by tarnishment.

3. The Parody Exception

Even if its use of “Charbucks” constituted dilution by either blurring or tarnishment, Black Bear appears to argue in the alternative that Charbucks is a parody and thus falls under an exception to 15 U.S.C. § 1125(c). Section 1125(c)(3), which was added in 2006 pursuant to the TDRA, specifies that the following uses of a mark “shall not be actionable as dilution by blurring or dilution by tarnishment”:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person *other than as a designation of source for the person's own goods or services*, including use in connection with --

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) *identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.*

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

15 U.S.C. § 1125(c)(3) (emphasis added).

. . . Black Bear's use of . . . Charbucks . . . cannot qualify under the parody exception because the Charbucks Marks are used "as a designation of source for [Black Bear's] own goods[, *i.e.*, the Charbucks line of coffee]."

. . . Accordingly, we conclude that Black Bear's incantation of parody does nothing to shield it from Starbucks' dilution claim in this case. . . .

Defenses

Prior Use
Functionality
Abandonment
Genericide
Fraud on the Office & Equitable Defenses
Fair Use and First Amendment (see above)

Remedies

15 U.S.C. § 1116

Injunctive relief

(a) Jurisdiction . . . The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title [covering trademark infringement, dilution and cyberpiracy, respectively]. . . .

15 U.S.C. § 1117

Recovery for violation of rights

(a) Profits; Damages, Costs; Attorney's Fees. When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under [15 USC 1125(a) or (d)], or a willful violation under section 43(c) [15_USC 1125(c)], shall have been established in any civil action arising under this Act, the plaintiff shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.