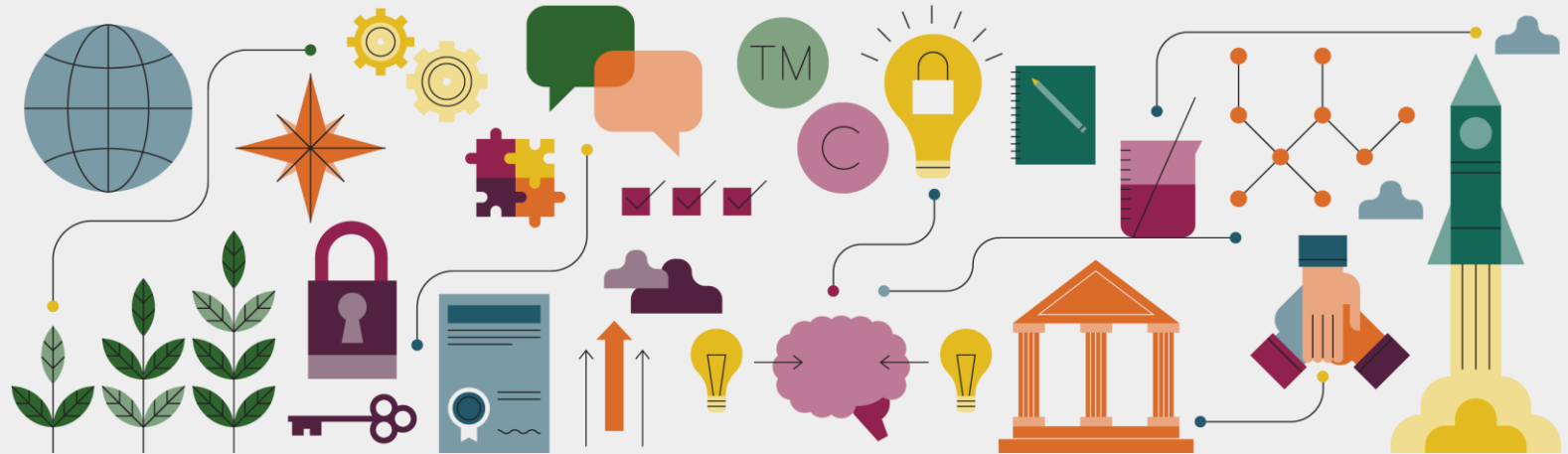


FINNEGAN

Salvaging Failed IP Infringement Claims Using U.S. Unfair Competition Laws

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Agenda



Why do IP Claims Fail?

TM

Common Forms of Unfair Competition



Example Cases



Conclusion and Best Practices

Why Do Trademark and Copyright Infringement Claims Fail?

❑ Trademark Infringement:

- Distinctiveness Problems
- Establishing Plaintiff's Ownership
- No Use in Commerce by Defendant
- Proving Likelihood of Confusion
- Acquiescence

❑ Copyright Infringement:

- Cannot prove access
- Fallen into public domain
- Disputed ownership
- Fair use
- Acquiescence



U.S. Unfair Competition Laws

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U.S. Unfair Competition Laws

❖ False Suggestion of a Connection:

- Registration on the principal register will be refused
- if it consists of matter that **falsely suggest a connection** with persons, living or dead or institutions
 - Mark **points uniquely and unmistakably** to plaintiff;
 - Defendant is **not connected** in any way with plaintiff; and
 - Consumers would **presume a connection** with plaintiff (Lanham Act § 2(a))

❖ Common Law Misappropriation (varies by state):

- Plaintiff's creation of property through extensive time, labor, skill, and money,
- Defendant's **unauthorized and improper use of that property** in commerce
- To the detriment of plaintiff.

Common Forms of Unfair Competition

- **Cases we will analyze:**

- False Designations of Origin: *Gilliam v. ABC*, 538 F.2d 14 (2d Cir. 1976)
- False Advertising: *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422 (S.D.N.Y. 2020)
- False Endorsement: *Beastie Boys v. Monster Energy Co.*, 66 F. Supp. 3d 424 (S.D.N.Y. 2014)
- False Suggestion of a Connection: *Hornby v. TJX Companies, Inc.*, 87 USPQ2d 1411 (TTAB 2008)
- Common Law Misappropriation: *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 700 F.Supp.2d 310 (S.D.N.Y. 2010)

Gilliam v. ABC – Factual Background

Gilliam v. ABC – Problems with IP Claims

•Copyright Claim:

- ✓ Complicated by BBC license that permitted use
- ✓ U.S. does not recognize “moral rights” as part of copyright law

•Trademark Claim:

- ✓ ABC was permitted to use MONTY PYTHON trademark under BBC license.
- ✓ Although edited, the show was actually created by the comedy troupe.



Gilliam v. ABC – Alternative Unfair Competition Claims

- **False Designation of Origin** (Lanham Act § 43(a)(1)(A))
 - ✓ No way consumers could know that show had been edited by ABC
 - ✓ Continued use of MONTY PYTHON mark on edited show created a false designation of origin since the comedy troupe did not create that version of the show.
 - ✓ Edited show damaged the group's reputation since it was not funny.
- **Court Ruling:**
 - District court only granted limited injunction requiring ABC include a disclaimer before the broadcast that the show had been edited without Monty Python's consent.
 - The appeals court ruled in favor of Monty Python and directed lower court to issue a full preliminary injunction enjoin any further broadcast of the edited version of the show.

Chanel, Inc. v. RealReal, Inc. – Factual Background

- ❑ The RealReal operated a luxury consignment company selling gently used designer brands such as Chanel, Hermès, Rolex, and Tiffany
- ❑ RealReal’s advertising asserted that its products undergo an extensive “authentication process” before they are available for sale
 - ✓ Claimed all products were “**100% real**”
 - ✓ Brand specific training for Expert Authenticators
 - ✓ Authenticators were previously employed by designer brands
 - ✓ RealReal suggested that it closely worked with designers in setting up its authentication program
- ❑ After an investigation, Chanel discovered at least 7 counterfeit handbags sold by RealReal, although by far most bags were genuine



Chanel, Inc. v. RealReal, Inc. – Problems with IP claims

- ❑ Chanel brought trademark infringement claim based on
 - Sale of 7 counterfeit goods (**successful**)
 - Prominent placement of CHANEL mark and logo on retail web site for the re-sale of goods created consumer confusion as to an affiliation with Chanel (**unsuccessful** since web site clearly states that it is a consignment retailer and since it does sell genuine Chanel products).



Chanel, Inc. v. RealReal, Inc. – Alternative Unfair Competition Claim

- ❑ Chanel **successfully asserted a False Advertising claim** under (Lanham Act § 43(a)(1)(B))
 - Claim that all products are “100% real” is literally false
 - Other claims regarding authentication process are likely to mislead and confuse consumers
 - Consumers will not understand claim that all goods have been “authenticated” refers to the review process not actual confirmation of genuineness
 - Various claims of “expertise” combined with absence of warning disclaimer misleadingly suggests that **no counterfeit could be sold** by RealReal.

Beastie Boys v. Monster Energy Co. – Background Facts

- ❑ Monster Energy promotes its beverage by sponsoring an annual snowboarding competition. Afterward Monster creates a recap video that featured the music and name of the famous musical group Beastie Boys.
- ❑ Monster Energy did not have permission to use either the Beastie Boys name or music.



Beastie Boys v. Monster Energy Co.—Insufficient IP Claims?

Trademark Claim: Not pursued, arguably nominative fair use.

Copyright Claim: Monster Energy essentially conceded copyright infringement claim but contested “willfulness.”

- Would Beastie Boys be able to establish significant actual damages under copyright claim?
- In the absence of willfulness, would Beastie Boys be stuck with modest statutory damage award?
- Would injunction against only use of music address concerns regarding Beastie Boys reputational damage from false endorsement?

Beastie Boys v. Monster Energy Co. –Alternative Unfair Competition Claims

Successful False Endorsement Claim under Lanham Act § 43(a)(1)(A)

- Unfair Competition claim not subsumed by copyright law as it addresses different injury
- Video did not just use a single Beastie Boys song, but five separate songs by the group.
- Video contained several textual references to BEASTIE BOYS
- Given fame of the BEASTIE BOYS music and name, consumers were likely to erroneously believe that the group sponsored or approved Monster Energy and its snowboarding event.
- Achieved additional significant damages and injunctive relief beyond copyright claim

Hornby v. TJX Companies, Inc.-Background Facts

- Twiggy (Leslie Hornby) is a well-known fashion model whose career started in the 1960s.
- She continued to be in the public spotlight through today as a celebrity, actress, television personality, and fashion commentator.
- TJX applied to register the mark TWIGGY for a high fashion line of children's clothing.



Hornby v. TJX Companies, Inc.-Problems with Trademark Claim

- Twiggy's opposition based on prior trademark rights failed because:
 - No U.S. registration for TWIGGY
 - Her TWIGGY branded clothing line was only sold in UK and Japan
 - No evidence of US sales of TWIGGY clothing



Hornby v. TJX Companies, Inc.-Unfair Competition Alternative

- Twiggy's opposition based on false suggestion of a connection was successful:
 - TWIGGY's name was still famous due to her continued media presence
 - In fashion industry TWIGGY unmistakably pointed to her
 - Consumers would presume that a fashion product was related to the fashion model TWIGGY



Barclays Capital Inc. v. Theflyonthewall.com, Inc., - **Background Facts**

- Barclays Capital prepared and published much sought after research reports with daily stock recommendations, whose value was predicated on reports exclusivity and timely release (often only valuable for a few hours before stock market opened).
- Theflyonthewall.com operates an internet subscription stock news service.
 - Surreptitiously obtained Barclays Capital reports
 - Provided unauthorized verbatim excerpts to subscribers
 - Summarized recommendations by Barclays Capital



Barclays Capital Inc. v. Theflyonthewall.com, Inc.,- **Problems with Copyright Claim**

- Barclays sued for copyright infringement
- Theflyonthewall.com
 - Conceded Copyright claims
 - **But argued that facts and statistics in Barclays reports were not protected by copyright**
- If facts and statistics not protected, huge problem for Barclays



Barclays Capital Inc. v. Theflyonthewall.com, Inc.,- **Unfair Competition Alternative**

- Barclays successfully asserted a **“Hot News”** misappropriation unfair competition claim under state law:
 - 1) Barclays generated or gathered information at a cost;
 - 2) The information is time-sensitive;
 - 3) Defendant's use of the information constitutes free riding on Barclays efforts;
 - 4) Defendant is in direct competition with Barclays
 - 5) The ability of other parties to free-ride on Barclays would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.
- Overturned on appeal based on copyright pre-emption because everything Theflyonthewall.com did was covered by copyright and there was no evidence of separate misappropriation of information beyond copyrightable text.

Conclusion and Best Practices

Unfair competition laws serve as a crucial supplement to traditional trademark protection, providing broader remedies for deceptive practices that trademark laws may not adequately address.

Key Takeaways:

- 1. Scope of Protection:** Trademark laws and Copyright Laws focus on protecting intellectual property itself, unfair competition laws cover a wider range of deceptive practices, such as false designation of origin, false advertising, false endorsement, and misappropriation.
- 2. Strategic Application:** By combining IP claims with unfair competition, businesses can create a comprehensive strategy to safeguard their market presence and reputation.
- 3. Adaptability:** Unfair competition laws are particularly valuable when navigating gaps in trademark and copyright protection, making them indispensable in a dynamic marketplace where deceptive tactics evolve.

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