

LEGAL AND PRIVACY

Knockoffs: Securing the IP foundation on trademarks, trade dress, copyright and design patents

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This is the third in my four-article series about developing an effective strategy to deal with knockoffs and counterfeits when faced with a limited budget. In this article, I discuss how to ensure the company has a proper IP foundation well before embarking on enforcement.

For a number of reasons, having a proper IP foundation is crucial but one reason which runs counter to most people's thinking stands out above all. In American law, in the absence of a positive right, copying is both permitted and encouraged.

No less than the United States Supreme Court has opined: "In many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying."

Luxury goods companies generally rely upon four types of IP. We outline here the due diligence needed for each.

Trademarks

Trademarks are the most commonly used and often the most valuable intellectual property of a luxury goods company.

Does anyone doubt that the names Gucci, Louis Vuitton, Rolex, Cartier or Herms are of far more value to their owners than any one product design? Securing trademark rights has to be the company's top priority.

By definition, a trademark is a word or symbol that signifies the source of the goods or services who makes this, who is responsible for its quality, who will stand behind it if something goes wrong. It carries the company's reputation and goodwill.

In the U.S., trademark rights are acquired through use of the mark with the product.

A company gains common law rights upon use, even without a registration.

But federal registration with the U.S. Patent and Trademark Office (PTO) has many advantages. Probably the most important is one that is not strictly speaking a legal one it is more psychological. The fact that a company holds an official government-issued registration often gives added weight to the claim of having rights in that mark.

A company's registration portfolio should be periodically reviewed to make sure it matches the company's business needs. Among other things to consider:

Is the whole product line covered?

Trademark rights must relate to particular goods and services. That is why a registration lists the specific goods and services it covers. That your trademark is registered for watches does not mean it protects apparel, handbags or shoes. The whole product line has to be covered.

Are all variations of the mark covered?

Some companies use their mark in a stylized font, others combine it with a logo or design. Some switch off between these variations. Ideally, all the different variations should be registered registration follows use.

Secondary and line marks

Apart from its house mark, many companies use names for particular lines of goods. The Cartier Tank Francaise and the Herms Birkin bag are two well known examples. Each of those names functions as a trademark and should be registered.

Slogan marks

Some slogans can be as, or even more famous than the house mark. "Where's the Beef," "Don't Leave Home Without It" and "Just Do It" are all slogans we are familiar with and that function as a mark.

Related services

Does the company own boutiques where it sells its own products? For those retail operations, it should have a service mark registration. The USPTO considers running a retail store a service. A typical registration might identify the services the mark is registered for as "retail store services for watches, jewelry and leather goods" if that is what is being offered. The same applies if the company offers after-sale services, such as repair, warranty services, and the like.

Of course, if there is a limited budget, a company may not be able to register all of the various types we have listed here. If so, the company needs to triage which are the most important to the business and then review that periodically if it changes.

Also, a brand owner is well advised to hire a trademark watch service pretty inexpensive, so it can keep tabs on new trademark applications that are filed that might be too close to the company's mark.

Although the USPTO can reject an application as too confusingly similar to an already registered mark, it often allows applications to which the trademark owner should object. A watch service alerts the owner of what is coming, and gives it time to file an objection.

Finally, apart from filing applications for registration, it is important to maintain records that can be used to show a mark's commercial strength.

Trademark law is all about market perception.

A mark that has strong market power is correspondingly a stronger mark legally, and has more weight in enforcement against knock-offs. This is because the test for infringement of a trademark is likelihood of confusion and the stronger the trademark owner's mark, the more likely it is that another's similar mark will cause confusion.

Thus the more evidence you have that your mark is a strong one, the better position you are to enforce your rights.

So, it is important for the company to maintain records of sales figures, advertising budgets and content, and media comments featuring the company's mark. This is discussed at greater length below in the section on trade dress, but it applies as well to all trademarks.

Trade dress

Trade dress means that the design of a package or product functions as a trademark by symbolizing one source of the product.

From the Coca-Cola bottle, to the Rolls Royce grille, to the Birkin bag, some designs are closely associated with one company and function as its mark.

Trade dress is a subset of trademark law, and has many of the same issues.

One big difference, however, is that the U.S. Supreme Court has ruled that product trade dress may be protected only if it has achieved a high-level of recognition and association with the company when "in the minds of the public, the primary significance of [the design] is to identify the source of the product rather than the product itself."

Although trade dress can be registered like any trademark, the USPTO will closely scrutinize any application to confirm if it meets this high standard as will any court where trade dress rights are asserted.

This makes proof of commercial strength especially important:

Sales figures for all products that bear the design. It is also a good idea to maintain pictures of what the design looked like in each season or year to show consistency.

Advertising. Records of both advertising copy and figures are important. The advertisements should feature the product, prominently. The point is to draw an association between the design and the company, and the best way to do that is to emphasize the design. The same applies to other promotional efforts charity events, product launches, et cetera that emphasize the product, and keep good records of what happened.

Media comments. Whether the general media, fashion media or trade journals feature your product, preferably with pictures of the product, that can be powerful evidence of public recognition. This often can be about the product itself, but might also be indirect.

We have a client who sells a line of handbags that is very popular among celebrities, who are often photographed holding them when attending big events such as the Oscars or charity events. The press often reports this, showing a picture of Celebrity X carrying a Brand Y handbag. That can be great, albeit indirect, evidence of recognition.

Surveys. This is the best evidence of public recognition, but surveys are very expensive and usually only done for litigation. Still, if the design is very important to the company, then it might wish to commission a survey, and then use that as evidence in getting a registration. Just be sure to consult an attorney to make sure the survey format will hold up in court and at the USPTO.

Copyright

Copyright protects artistic expression. This includes both two-dimensional designs (paintings, photographs, fabric designs) and three-dimensional designs (jewelry). It can be a valuable tool to protect certain designs.

Copyright has long protected jewelry and fabric designs. Other types of designs are more problematic because the Copyright Act excludes designs for utilitarian objects.

The design of a dress, a handbag, a watch, or a pair of shoes itself is not protectable. But there is an exception if the artistic design is separable, even in one's imagination, from the object. As we reported in a [prior column](#), the Supreme Court this year upheld a claim that a pattern for a clothing design was separable.

Do you need a registration? Yes and no. Copyright attaches when the design is created and fixed "in a tangible medium," which means, practically, either a mock up or a sketch.

For works created outside the United States, nothing more is needed. For U.S. works, although one owns a copyright, the company cannot bring suit until a registration is obtained from the Copyright Office, or, in some courts, an application for registration has been filed. And for both foreign and U.S. works, there are advantages to registering the copyright. Best practice is to register the work, which is usually easy and inexpensive.

Another wrinkle who owns the copyright? Initially the "author" of the work. The Copyright Act recognizes two kinds of authors. Usually, the individual designers themselves are the authors. This is the case whether they first create the design and then transfer rights to a company, or where they work under contract to create the design.

A second type of author involves an employee. If the designers were employees (not independent contractors) and they created the design in the course of their employment, then the employer is considered the author. This is called the "work for hire" doctrine.

So, it is important to know who created the design and their relationship to the company in fact, you will need to declare that to register the work. Best practice, whether an employee or a contractor, is to have an agreement before

the work begins assigning all rights, including copyright, in the design to the company.

A proper copyright foundation includes making sure that the designs are registered with the Copyright Office, and there is backup documentation to show who created the design, when, and whether there was an assignment of rights or proof the person was an employee at the time.

Design patents

These can be a very powerful type of IP, and they cover all "articles of manufacture," even useful ones such as handbags, clothing, or watches.

Design patent rights commence only when granted by the Patent Office, and that can take some time a year or two before being granted.

On the other hand, a design patent lasts for 15 years and can be a powerful weapon to stop copiers.

Since the standard for granting such a patent is rigorous, and the process complex, the company should consult a patent attorney to see which of its designs can be protected.

BUT MOVE QUICKLY if the item has been on sale for more than a year, patent protection is barred. And here again, make sure the designer has assigned all rights, including patent rights to the company something which again should be done before the design is created.

In the next article, I will discuss how to target enforcement to get to the source of problem and maximize efficiency of enforcement efforts.

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