

Trademark Law

Prof. Madison

Today: Goodwill

Key concepts from Class 1:

Legal rules and concepts as tools for problem solving.

What problems do trademarks and trademark law solve?

Distinctiveness.

Trademarks are legally valid if they are **distinctive as to source**, which means that they embody **goodwill**

Learn and repeat: “Mark X for Product [Service] Y”

Goodwill = content of consumer association of the mark with the source; usually a reputation for consistent quality/qualities (*possibly consistently good/great; or consistently bad/mediocre; cheap; shoddy; reliable; chic; etc.*)

IOW: Valid marks are **distinctive** (because, and so long as) they create **goodwill** via **use**. Use has to be **ongoing**.

Use means that the mark becomes (remains) associated in consumers’ minds with the **quality/ies** of specific products / services that come from a specific **source**.

Policy: Limit trademark rights to those needed by firms to compete fairly and effectively, and to those needed by consumers to acquire accurate information about the source of goods and services.

But what about: Free riding? What if firm #2 uses firm #1's mark(s) without permission or compensation? Isn't that bad? The law: no, it's not, if firm #1 is not actively using the mark – that is, actively cultivating goodwill.

Rule/tool: Business practices involving trademarks (use, assignments, licenses) must include goodwill to avoid loss of rights. *Assignments in gross* and *naked licensing* can cause *loss of trademark rights*.

How to use the tool:

Ask factual questions in order to understand different business relationships and their implications for use of marks.

Is the mark being actively used to market a good or service? Is the mark owner cultivating goodwill via use? How? When? Where? Successfully? If not, then the mark may be invalid, and firm #2 may be in the clear. What does firm #1 (the TM claimant) need to do to preserve TM rights – in context?

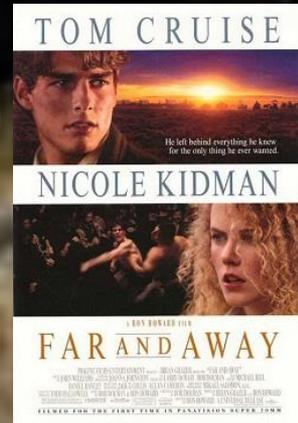
Go beyond the law and examine the context to identify the problem(s), not just the legal “issues.”

Why and how did this conflict (opportunity) arise? Who is angry at whom? Who is trying to grow/extend/secure their business, and how?

Where does the instinct to mark “our” things come from?
“Your chief, Andy, inscribed his name on me.”



Where does the instinct to mark “our” things come from? “This land is mine! Mine by destiny!”



A man in a dark jacket and gloves holds a white flag with the five Olympic rings. The flag is tattered and has a colorful fringe. The background is a blue-lit stage with silhouettes of people.

**Control. Priority.
Exclusivity. Memory.
History. Value(s).
(Erasure?) Next.**





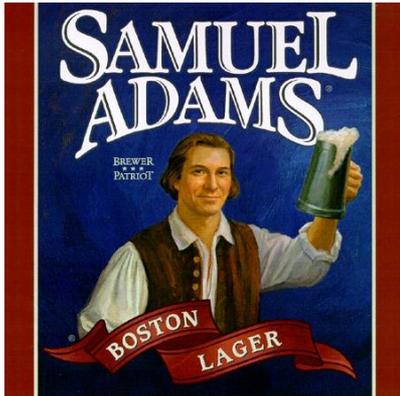
Who is using these marks, how, and why?



Who is using these marks, how, and why?



Building goodwill by controlling production: Parent (mark owner) owns all Starbucks marks and stores and produces its own products. Starbucks directly manages the portfolio of Starbucks marks.



Building goodwill by supervision via licensing and contracting: Boston Beer Co. as parent (mark owner) long controlled its products via “contract brewing”: procurement and distribution contracts (ingredients, packaging) with third parties, which d/b/a their own names. All products bear BB marks (i.e., SA brands), managed by BB via contracts and licenses with production/distribution partners.



Building goodwill via licensing and franchising: McDonald's as parent owns and licenses the marks and controls the products via supply chain and recipe requirements. Stores are often independently owned but use the marks under contract and license from McDonald's.

Goodwill in action, or how to avoid causing problems when solving problems:

- [1] A trademark may be **abandoned** if the mark owner stops using it (and intends not to resume use).
- [2] **“Naked” licensing** invalidates a trademark.
- [3] An **“assignment in gross”** invalidates a trademark.

... because the use of the mark is divorced from the **goodwill** associated with the mark.

In short: these are problems that Starbucks, Boston Beer, and McDonald’s, among others, must *avoid*, relying on good trademark counsel and legal tactics (contracts, including power to supervise, investigate, enforce non-compliance)



United States of America
United States Patent and Trademark Office



Reg. No. 4,215,095
Registered Sep. 25, 2012
COLLECTIVE MEMBERSHIP
PRINCIPAL REGISTER

THE FREECYCLE NETWORK (ARIZONA NON-PROFIT CORPORATION)
P.O. BOX 294
TUCSON, AZ 85702

FOR: INDICATING MEMBERSHIP IN AN ORGANIZATION THAT PROMOTES THE RE-USE OF UNWANTED ITEMS, IN CLASS 200 (U.S. CL. 200).

FIRST USE 7-20-2012; IN COMMERCE 7-20-2012.

What role does trademark “goodwill” play in identifying problems and solutions in each case?

THE MARK CONSISTS OF THE TERM “FREECYCLE.ORG” WITH A CURVED ARROW ABOVE THE ‘E’ AND A CURVED ARROW BEING THE ‘O’ AND ‘E’ DESIGN. SN 85-357,555, FILED 6-27-2011.
JULIE GUTTADAURO, EXAMINING ATTORNEY

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Did the Raiders “abandon”
Oakland?

(What problem is
“abandonment” doctrine in
TM law trying to solve?)

1957: 8 employees
defected from Shockley
Semiconductor to found
Fairchild Semiconductor, in
the birth of Silicon Valley
(Not a TM problem. Why
not?)



The Traitorous 8





Diocese Asks Court For Access To Funds

📅 Posted on [January 8, 2009](#) | Posted in [Featured](#), [News](#)

Request Made In Case Which Defined “Episcopal Diocese”

Pittsburgh, PA – Today, January 8, 2009, the Episcopal Diocese of Pittsburgh asked a court for control of church assets still held by former diocesan leaders who have left the Episcopal Church.

The request was made in the context of an existing court order which stipulated that local Episcopal property must stay in the control of a diocese that is part of the Episcopal Church of the United States.

“We’re not asking for anything the court has not already addressed, former leaders have not already agreed to,” said the Rev. Dr. James S. Braxton, President of the diocesan Standing Committee, the group currently governing the Pittsburgh Episcopal Diocese.

The original court order was issued in October 2005 as a result of a lawsuit filed by the Calvary Episcopal Church in East Liberty. The order prohibits any group that separates itself from the Episcopal Church from continuing to use or claim ownership of Diocesan property. The order specifically defines the Episcopal Diocese of Pittsburgh as being part of “the Episcopal Church of the United States of America.” In the negotiations leading to the 2005 Order, former Pittsburgh Bishop Robert R. Calkins and his attorneys agreed this stipulation would apply regardless of the circumstances surrounding any separation, even if every parish were to leave.

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Defections happen;
which was the
“Episcopal Diocese of
Pittsburgh,” which
owns church property?



Deft, an authorized foreign producer of CPKs, sold them in the US w/o permission of the owner of the “CPK” TM.

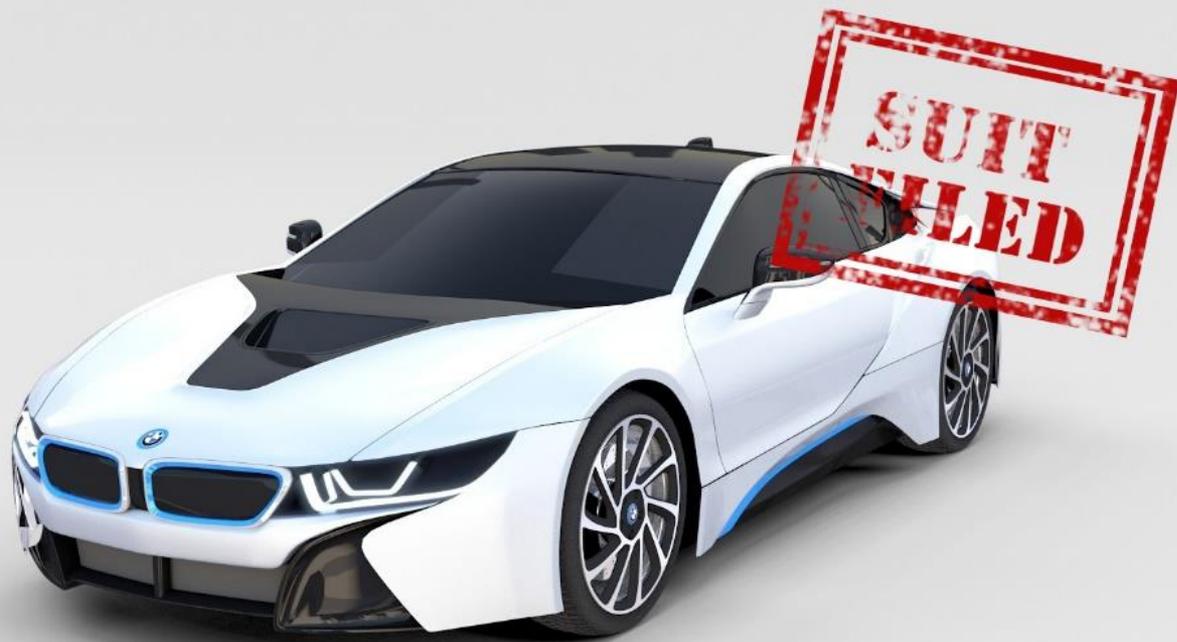
Did the deft infringe?

Ask: Are the dolls “genuine”? If so, the deft wins.

(Q: Why is “genuineness” the legal and factual issue?

A: Goodwill. *Consumers got the quality they expected.*)

Original Appalachian Artworks, Inc. v. Granada Electronics, Inc. (2d Cir. 1987)



Trademark law was built for a material world. Goodwill in a mark means that a firm bundles into the mark the psychic and market value of stuff that companies make. For fun, call this the “Madonna” principle.

Do trademark rules and principles change in the virtual world? Should they? Do human expectations and behaviors change in the virtual world? How? Should BMW be able to use TM law to stop distribution / sale of “digital” BMW vehicles? Has the digital seller appropriated BMW’s goodwill associated with “real” vehicles? How?

From the Warner Bros. Shop:

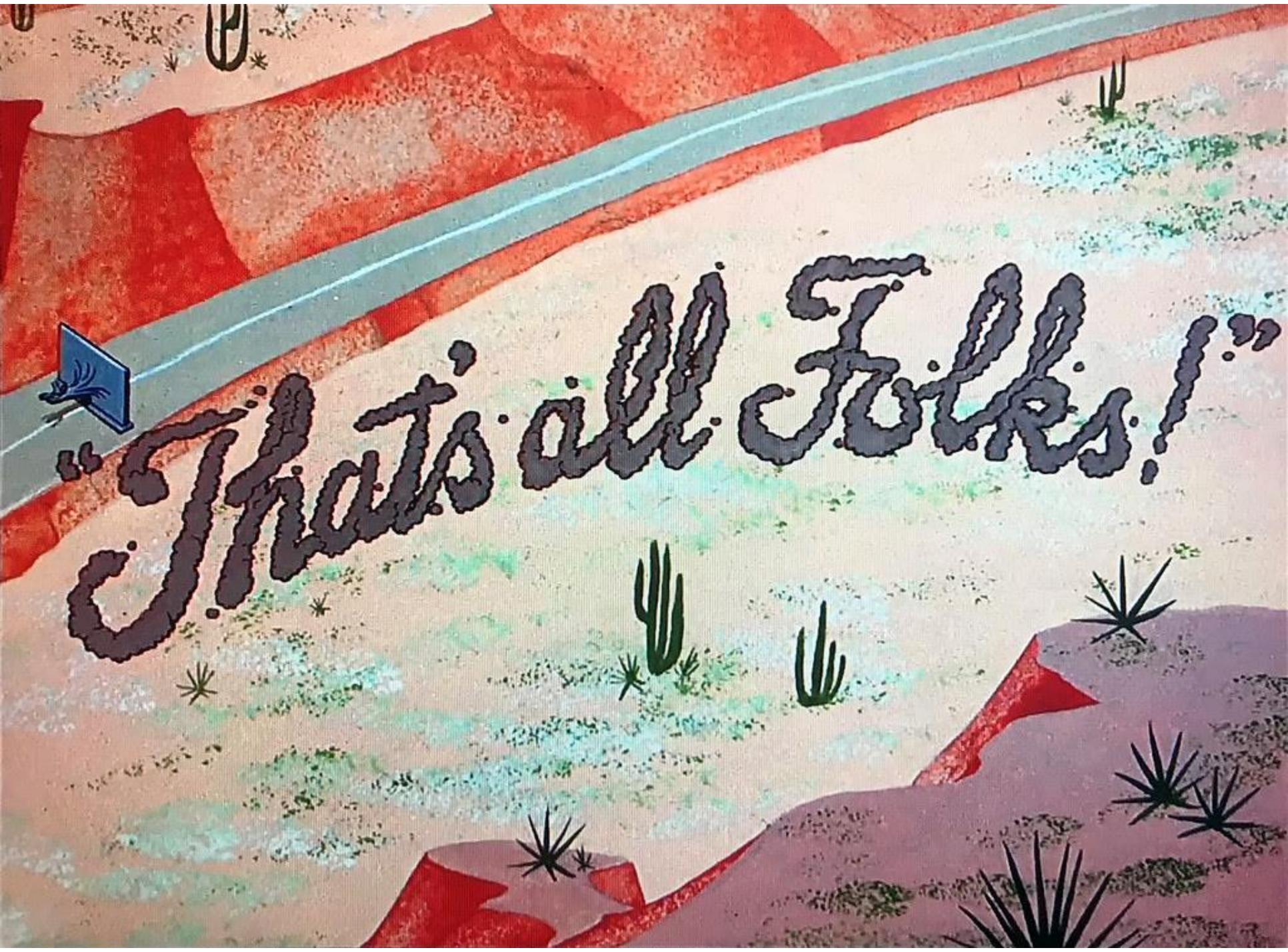


From Etsy:



Related: trademark law relies on the presumptions that firms use trademarks to build (symbolize/embody) goodwill in products and services that consumers buy for their “use” value.

How should trademark law change when firms are selling products and services that consumers buy for the “associational” or “expressive” value of the related trademarks? *Can WB use TM law to stop the sale of fan-produced merch related to WB shows? Why?*



"That's all Folks!"