

## What You Need to Know About Intellectual Property

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Furniture retailers confront copyright, trademark, and other intellectual property (IP) issues on a daily basis. These arise internally when creating and protecting catalogues, websites, advertisements, and trademarks. External concerns over knock-offs, competitive advertising, and improper trademark use are omnipresent in the furniture industry. In fact, as a key link in the chain of distribution, you might even face legal exposure for infringements committed by your suppliers. This article highlights key areas where the laws of intellectual property and the day to day operation of retail furniture establishments intersect.

### **Adopting and Protecting Trademarks**

The retailer's first brush with IP law typically occurs when selecting a trade name/trademark. It is common to select a mark, check availability with the Secretary of State, and then assume you are safe to begin operating under that mark. Unfortunately, stop there and you miss an important step. The Secretary of State's office only checks to make sure that no other business is incorporated under your chosen name. The office does not conduct a trademark search. Thus, while the state will not prevent you from doing business under the name, another person or business with superior rights in the same or a similar name may take offense. To avoid a costly and disruptive legal dispute, start the process by researching the name yourself using the U.S. Patent and Trademark Office (PTO) website ([www.uspto.gov](http://www.uspto.gov)) and an internet search engine. Such research can help you rule a name out. Once you find a mark that appears to be available, ask a trademark professional to conduct a full trademark search and provide you with a legal opinion confirming that your proposed mark is available.

Once you complete the selection process, consider registering your trademark in the PTO. Registration confers these valuable benefits: (1) prima facie evidence that you own your mark and that it is valid; (2) nationwide constructive notice of your rights; (3) deterring third parties from adopting similar marks; and (4) significantly strengthening your legal position if you end up in a domain name, key word advertising, or similar dispute. Through continuous and exclusive use over a period of at least five years, even a family name can become a strong trademark worthy of protection under federal and state law.

### **Copyright & the Retail Furniture Business**

In all likelihood, you use photographs, drawings and/or written text in connection with advertising, promoting and operating your business. When created by your employees, those materials are almost always considered "works made for hire" and you the employer are considered to be the author and owner of the works. But things get sticky when you use outside entities for your creative material. Except in very specific circumstances, materials created by non-employees remain the property of those non-

employees absent a written agreement either transferring ownership or establishing a license for use.

For example, you may engage a photographer to take pictures of your store for display on your website. Your agreement with the photographer may only provide for website use. Is that really sufficient for your long term marketing plans? You should also consider several additional questions, namely: (1) can the photographer sell or license the same photographs to third parties; (2) have you secured full, or merely limited, rights in the use of photographs; and (3) are there likely to be other media in which you would like to use the photographs? When entering into relationships with photographers (or artists and writers, for that matter), consider the benefits of exclusive ownership of the resulting photographs and/or rights in multiple media, and negotiate those rights at the outset of the relationship. If you fail to properly allocate intellectual property rights in advance, you may be without recourse if, for example, the visual backbone of your marketing campaign simultaneously appears in competitors' materials. Above all, make sure that whatever agreement you reach is memorialized in a written agreement signed by both parties. Copyright law does not recognize oral transfers of copyright ownership or, in many cases, exclusive licenses of such rights.

Once you spend the time and money producing quarterly catalogs and impressive websites, take one more step and register your copyrights. Websites are often the calling-card or store-front of a business, the design, content, and uniqueness of which carry immeasurable value to a retailer. Another furniture retailer, looking to cut corners, may seek to benefit from your successful website design and content, the detrimental effect of which can be remedied if one has sufficient copyright protection. Likewise, your catalogs may be copyrightable and, for the same reasons as with websites, may warrant registration.

When faced with such an infringement, your legal position is substantially stronger if you registered your copyright prior to the first instance of infringement. In the U.S., the prevailing rule is that registration is required before you can file a lawsuit against an infringer. The time between filing an application and receiving a registration can be as long as eight months. Severe and lasting injury can occur over such a long period of time. The Copyright Office can expedite registration, but that process is very expensive and easily avoided with some foresight.

As an additional incentive to register, consider that the Copyright Act provides for the award of statutory damages in lieu of actual damages at the election of the copyright owner. Statutory damages range from \$750 to \$150,000 per infringement, depending on whether the defendant is an intentional infringer. However, statutory damages are unavailable to plaintiffs that did not register their copyright prior to the commencement of the defendant's infringement. The same is true when it comes to the award of statutory attorneys' fees. Thus, prompt attention to copyright registration could well mean the difference between success and failure in protecting your valuable intellectual property.

Finally, copyright issues may also arise in connection with the ambiance of your store, if, for example, you use background music. Without pause, you may turn on a radio station or play your favorite CD to create the ideal ambiance for customers. Under the Copyright Act, composers of musical works have the exclusive right to publically perform their works. When a small business broadcasts these musical works, even as background music, they may be violating the owner's rights. While one solution to this problem is obtaining a license from a performance rights organization like ASCAP or BMI, there are several exceptions that may help avoid the hassle and expense of licenses and, more importantly, liability for copyright infringement.

Under the Copyright Act, small businesses may play radio and television programs in their retail stores if they fall within the Act's two-tiered exception. If a retail store has less than 2,000 gross square feet, it may broadcast radio and television programs without limitation. If, on the other hand, a retail establishment has more than 2,000 gross square feet, it can still broadcast radio and television programs, but must comply with equipment limitations relating to the number and placement of loudspeakers. Retailers should remember, however, that this narrow exception does not permit you to play recorded music, nor does it cover live

performances.

### **Intellectual Property and Advertising**

Advertising is fertile ground for IP concerns. For example, it is permissible and even common to use another party's trademark in comparative advertising. The mark must be used only to identify the competitor or the competitor's product. Use of another's mark in a manner that makes it appear that the advertiser is affiliated or related in some manner to the competitor, or is otherwise the source of the competitor's product or service, may be considered unfair competition or "passing-off."

There are no clear rules, but some uses are more likely than others to lead to problems. For example, displaying a third-party's mark more prominently than your own mark often leads to the conclusion that the third party mark is being used to attract attention and to cause, at the very least, initial interest confusion as to the source of the advertisement. Use of a third-party's logo is even more likely to lead to legal problems. The concept of nominative fair use (use of another's trademark to identify a competitor or the product or service offered under that mark) is premised on the idea that the advertiser must call the third-party or its product by name in order to express the comparison. In virtually all cases, the comparison may be made through the use of a trade name or word mark and not by the use of a distinctive logo. Therefore, when the advertiser does use the logo instead of the word mark, the use is more likely to attract negative attention. At least one court stated that nominative use of a trademark is permissible only if: (i) the product or service in question is one not readily identifiable without the use of the trademark; (ii) only so much of the trademark is used as is reasonably necessary to identify the product or service; and (iii) the user does nothing in connection with the mark that would suggest sponsorship or endorsement by the trademark owner.

Some retailers enjoy using parodies of iconic trademarks in order to create unique and noticeable advertisements. For example, Michigan retailer Art Van Furniture, Inc. used artwork on a truck and in advertising that showed a couch emerging from a candy wrapper featuring a red label, an emerging foil under-wrapper and block letters spelling out "ART VAN."

Unfortunately for Art Van, the Hershey Company took exception to this use and sued Art Van for infringement of the famous trade dress of the Hershey's chocolate candy bar, particularly the red tinted "Special Dark" bar.

Among its defenses, Art Van argued that its "Art Bar" was an obvious parody of the Hershey Bar and would not confuse the public. What was the result? First let's examine the law applied to parodies in more detail.

The concepts of trademark infringement, trademark dilution, fair use, and freedom of speech merge when considering parodies. The First Amendment is implicated in that the right to freedom of speech and expression must be weighed against the likelihood of confusion. A parody is "a composition in which the characteristic turns of thought and phrase of an author are mimicked to appear ridiculous, especially by applying them to ludicrously inappropriate subjects," (The Oxford English Dictionary) and/or in non-commercial speech such as a protest site on the internet. To be protected, a parody must convey two simultaneous and contradictory messages: that it is the original, but also that it is not the original and is instead a parody. To the extent that it does the former and not the latter, it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused. Thus, where the unauthorized use of a trademark is for expressive purposes of comedy, parody, allusion, criticism, news reporting, and commentary, the law requires a balancing of the rights of the trademark owner against the interests of free speech.

Without question the line between parody and actionable trademark/trade dress infringement is blurry at best. Two examples might help. In one famous case, the adult magazine, "High Society", published a "prurient parody" of LL Beans' famous catalog. The article was labeled on the magazine's contents page as "humor" or "parody." LL Bean argued that the article tarnished the wholesome image of its catalog and the defendant countered with an argument that its expression was protected under the First Amendment.

The court classified High Society's use of the LL Bean catalog as editorial or artistic parody since it was used for solely noncommercial purposes. The article, identified in the table of contents as a "parody", took up only two out of over one hundred pages, was not featured on the front or back cover and was never used to promote the defendant's goods to customers.

The "Mutual of Omaha" mark and its Indian-head logo were the subject of another alleged parody. There, the defendant marketed t-shirts and other items showing a feather-bonneted emaciated human head and the words "Mutant of Omaha" and "Nuclear Holocaust Insurance." The defendant argued that its use of Mutual's marks was a protected parody, but the court disagreed because the marks were used to "market, advertise or identify his services or products." The Court of Appeals affirmed, stating that the defendant remains free to create editorial parody and, therefore, the injunction order is not an unreasonable restriction on freedom of speech. Note that in this case, the items sold by the defendant comprised the parody itself, transforming the use from an editorial expression into a commercial enterprise.

From these and other similar cases, there are a few things that are clear. First, use of a mark in a non-commercial, editorial parody is most likely not going to be an infringing use. On the other hand, use of a mark on a commercial product in connection with a parody that has little or nothing to do with the mark that is the subject of the parody, is likely to get the author of the parody in trouble. In those middle cases, the courts will weigh the importance of free expression versus the commercial rights of the trademark owner, albeit with slightly greater scrutiny than is the case in a typical infringement action.

Art Van ran into the latter problem. Its "parody" had little or nothing to do with the famous Hershey Bar trade dress. In the words of the court, "Defendant's 'couch bar' may be funny, but it is not biting; its resemblance to Plaintiff's famous trade dress is too muted to poke fun, yet too transparent to evoke a generic candy bar . . . Defendant's design is neither similar nor different enough to convey a satirical message." In other words, the parody defense failed and the design was ruled to be an infringement.

These are some of the many IP issues retailers may unwittingly face. By remaining vigilant and informed about trademark and copyright law, however, you can reduce your risk of litigation, and also protect your own IP. In this case, knowledge really is power!

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