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TC's inside IP

A quarterly newsletter from the Intellectual Property Practice Group at Thompson Coburn LLP

Practical Pointers: Do's and Don'ts for Online Privacy Policies

By Jennifer A. Visintine

Existing laws may require that you post an online privacy policy explaining your information collection practices and your use and disclosure of the information you collect. Any company with an online presence should thus consider whether it is necessary or appropriate to post an online privacy policy and, if so, take steps to avoid the common pitfalls associated with such policies.

- **Determine whether you need an online privacy policy.**
  Do you collect information online? Are you required by law (such as the California Online Privacy Protection Act (http://www.leginfo.ca.gov/cgi-bin/displaycode?section=bpc&group=22001-23000&file=22575-22579) or Children's Online Privacy Protection Act (http://www.ftc.gov/privacy/privacyinitiatives/childrens.html) to have an online privacy policy? Additionally, consider whether the failure to disclose your information collection and use practices—or the manner in which you disclose such practices—could be considered unfair or deceptive. If so, the FTC could bring an enforcement action under Section 5 of the FTC Act. (http://www.law.cornell.edu/uscode/15/usc_sec_15_00000045----000-.html.)

- **DO NOT copy your privacy policy from someone else.**
  Study your company's information collection practices, and make sure you fully understand how your company will use, disclose and maintain such information, before you write your privacy policy. This may require involvement of many different people, including your marketing department and IT personnel. A privacy policy copied from another website will describe another company's practices—not yours. If it does not describe your practices, it could result in liability and a public relations nightmare.

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- **Accurately and simply describe and disclose all of your privacy practices.**
  Before drafting your policy, consider all of the different reasons you will collect information and what you will do with it. Accurately describe those practices in your privacy policy—as simply as possible. Don't bury your practices in legalese or a policy that is longer than necessary, and make sure your marketing materials are consistent with your stated privacy policy and your practices. Otherwise, your disclosure may not be adequate.

  For example, in *FTC v. Sears Holdings Management Corp.* (http://www.ftc.gov/os/caselist/0823099/index.shtm), the FTC alleged that Sears did not adequately disclose information about software it placed on consumers' computers. Sears represented that the software tracked online browsing, but only described the full extent of its software (which also tracked secure online sessions and certain activities unrelated to the Internet) in a lengthy license agreement at the end of a multistep registration process. As a result, the FTC initiated an enforcement action against Sears.

- **Only make promises that you can and will keep.**
  If you EVER may sell or disclose information to third parties, your privacy policy should say so. If you tell consumers that you will never share their information, you should NEVER do so. If you tell consumers that you will protect their information, take reasonable steps to do so.
  The FTC often initiates enforcement actions against companies that break these types of promises. In *FTC v. Twitter* (http://www.ftc.gov/os/caselist/0923093/index.shtm), for example, the FTC alleged that Twitter falsely represented that it used at least reasonable safeguards to protect user information by stating that it uses "administrative, physical, and electronic measures designed to protect … information from unauthorized access." Despite such statements, hackers using password-guessing software were able to gain control of Twitter and access nonpublic user information. As a result of the enforcement action, Twitter entered a consent judgment and was required to, among other things, establish a new information security program.

- **Stay abreast of technical issues.**
  New methods of obtaining data and tracking Internet users lead to new privacy concerns. Most recently, Flash cookies have come under scrutiny, and consumers have filed class action lawsuits alleging that companies have used Flash cookies in ways inconsistent with their privacy policy promises (for example, see *Valdez v. Quantcast Corp.* (http://dockets.justia.com/docket/california/cacdce/2:2010cv05484/478381/). When adopting new technology, consider its privacy implications. And keep reexamining your current disclosures and practices in light of new research, such as the research on Flash cookies.

- **Work with your service providers to ensure that they comply with your privacy policy.**
  Sometimes advertisers or service providers place cookies on the computers of people that visit your website. If so, this should be disclosed in your privacy policy. Also, you may use third parties to process payments or other information provided through your website. Investigate and disclose how those companies use or protect such information.

- **Do not make changes retroactive (without consent).**
  Consumers decide whether to provide information to you based on your privacy policy. If you change your policy to better protect consumer information, or if your new privacy policy only applies to information collected

after it is posted, that's fine. Generally, you should not make a new privacy policy retroactive if it expands the purposes for which you may use the information collected, unless you get the consumers' consent.

New legislation may, if passed, impose additional requirements on website operators and dramatically affect the collection, use and disclosure of information offline as well. For example, the Boucher-Stearns Discussion Draft (www.boucher.house.gov/images/stories/Privacy_Draft_5-10.pdf) and Bobby Rush's BEST PRACTICES Act (http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.5777) would require businesses to adopt privacy policies and disclose their privacy practices whenever collecting personal information (except for information collected and used solely as part of a particular business transaction), give individuals the ability to prevent a business from transferring information about them to an unrelated company unless they affirmatively agree to such disclosure, and impose very stringent requirements on collection and use of particular kinds of data (such as medical, financial and geolocation data).

About the Author

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Save Time and Money with the TTAB's Accelerated Case Resolution Procedure

By Hadi Al-Shathir

Every U.S. trademark application must be "published for opposition" after it has cleared examination by the U.S. Trademark Office. Publication of the trademark application gives third parties an opportunity to object to the application on various grounds, including, most commonly, conflict with a senior trademark. A third party who wants to object to the published application must file within 30 days of its publication a "notice of opposition" with the Trademark Trial and Appeal Board ("TTAB"), which is the administrative body charged with resolving disputes over the registrability of trademarks. Governed by the Federal Rules of Civil Procedure and Evidence, with some regulatory modifications, an opposition proceeding involves various trappings of civil litigation, including written discovery, depositions, motion practice and a unique form of "trial" on the merits. The sole issue in an opposition proceeding is the right to register a trademark. These administrative proceedings have no binding effect on the right to use a trademark. The vast majority of opposition proceedings settle before a final decision on the merits, but those that don't are often lengthy and time-consuming, and can be costly.

Recognizing that some parties want a quicker and less costly alternative to a typical opposition proceeding, the TTAB is encouraging use of its Accelerated Case Resolution ("ACR") procedure, which is pitched as the "economical and efficient" alternative to a typical TTAB case.[1] Broadly speaking, ACR offers various alternatives to a traditional TTAB contested proceeding and its attendant full discovery, testimony periods and trial briefs. While the procedure itself has been available since the 1980's, the designation "ACR" is relatively new, and parties are now required to discuss during their scheduling conference whether ACR should be used in their case.

ACR can take a variety of forms, and the TTAB is flexible with its use. A common form includes: (1) an agreement at the parties' scheduling conference to use ACR, with the approval of the Trademark Office Interlocutory Attorney overseeing the case; (2) limited discovery; (3) no testimony periods; and (4) trial briefs, with stipulations regarding the introduction of evidence. After briefing is completed, the TTAB will issue a decision on the merits within 50 days. The only requirements for use of ACR are an agreement by the parties and approval by the TTAB. The TTAB will not grant unilateral requests for ACR. The TTAB, in some cases, may contact the parties to encourage use of ACR.

The TTAB will allow use of ACR in various types of cases, but the most appropriate cases generally involve one or more of the following:

- Minimal discovery;
- Likely stipulation to material facts;
- A limited evidentiary record;
- Likely grounds for summary judgment submissions with a stipulation that the TTAB can resolve any factual disputes; and/or
- Likely stipulation to the admissibility of the trial record with limited substantive objections.

Contentious cases, or complicated cases not fitting into the above characteristics, are not appropriate candidates for ACR.

The use of ACR, under the right set of circumstances, would eliminate the expense and effort necessarily involved in a more comprehensive TTAB case. Consider using ACR the next time you are faced with a contested proceeding before the TTAB.

[1] Judge Gerard F. Rogers, *TTAB ACR: An Overview,* LANDSLIDE, January/February 2010, at 51-55; *see also* Trademark Trial and Appeal Board Home Page, at www.uspto.gov/trademarks/process/appeal/index.jsp. This article's content is derived in part from both of these sources, and additional information regarding ACR can be found at both sources.

About the Author

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A Quality Control Program as Part of Your Trademark Licensing Program

By Matthew J. Himich

Brand merchandising and licensing is a multi-billion-dollar business.[1] Given the money at stake, it goes without saying that it is important for both trademark owners and licensees to have written agreements in place to protect their respective interests. Traditionally, trademark license agreements cover issues such as the extent of the license grant, the products/services covered by the license, term and termination rights, royalty calculations and payments, product liability, indemnity, and quality control.

Focusing specifically on quality control provisions, generally, these provisions enable the trademark owner/licensor to contractually control the quality of the products and services provided by the licensee. With quality controls in place, courts generally recognize a trademark owner/licensor and a licensee as being sufficiently "related" with respect to the licensed mark – meaning that the licensed trademark continues to function as an indicator of a single source for a product or service, although the licensee is in fact providing the goods and/or services rather than the licensor.[2]

The consequence of failing to establish that a trademark owner/licensor and a licensee are "related," for example, through quality control, can be a finding of abandonment of the mark through "naked" licensing.[3] Third parties challenging the validity and enforceability of a licensed mark often attack the validity of any license related to the mark on these grounds, as trademark owners are sometimes not careful in either drafting the license agreement to include quality control provisions or actually enforcing its quality control provisions.

In the context of quality control, it may not be enough that a trademark license agreement merely contains quality control provisions. Some courts have held that the mere right to control quality in an agreement is not sufficient, ipso facto.[4] When the issue of abandonment through "naked" licensing is raised, courts often look beyond the trademark license agreement for evidence that quality was actually controlled in some fashion.[5]

In some court decisions, a trademark owner/licensor has been required to produce evidence of an active quality control program to avoid the determination that the license granted is a "naked" license.[6] In a somewhat different approach, some court decisions have required that a trademark owner/licensor provide evidence that the quality of the goods and services provided under the license has remained constant during the period of the license to avoid the determination that the license granted was a "naked" license.[7]

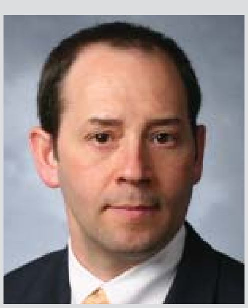
Special circumstances between a licensee and licensor may avoid the conclusion that the license was merely a "naked" license despite lacking express quality control provisions. For instance, common ownership of the licensor and the licensee companies,[8] the prior long-standing relationship of the parties,[9] or laws or regulations governing processes or products used in connection with the licensed mark,[10] may be sufficient to avoid a determination that a license was a "naked" license.

Obviously, these types of special circumstances may change over time, even if in existence when the license is granted. So, the parties, and particularly a licensor, may consider having a formal quality control program in place to withstand later "naked license" challenges by third parties. Some aspects of the program may include:

- Providing standards to licensees governing the format and display of the licensed mark on the goods and services
- Preparing regular written reports of approvals granted relating to marketing and promotional materials and compliance with trademark standards
- Providing training manuals and seminars to licensees governing the making and selling of the licensed goods and/or providing licensed services
- Providing licensees with specifications for the making of the licensed goods and/or providing licensed services
- Issuing periodic merchandising bulletins to licensees with approved sales promotion concepts and approved products
- Providing raw materials to licensees or specifying approved suppliers
- Conducting regular licensee site inspections by qualified personnel
- Preparing regular written reports of licensee site inspections
- Maintaining customer complaint logs for licensed products
- Conducting periodic quality inspections of licensed products/services

Implementing these suggestions may assist in proving that there is an active and effective quality control program sufficient to defeat a "naked license" attack on the license, and hence the trademark. Having a demonstrably effective license agreement may also ensure the quality of the goods and services and their continued successful commercialization.

[1] http://www.beanstalk.com/power-/facts.html
[2] *See, e.g., Dawn Donut Co. v. Hart's Food Stores, Inc.* 267 F.2d 358, 367 (2d Cir. 1959).
[3] *See, e.g., Barcamerica Int'l, USA Trust v. Tyfield Imp., Inc.*, 289 F.3d 589, 597-98 (9th Cir. 2002); *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 260 (C.C.P.A. 1978); *Stanfield v. Osborne Indus.*, 839 F. Supp. 1499 , 1504-05 (D. Kan. 1993), *aff'd*, 52 F.3d 867 (10th Cir. 1995); *Koretz v. Heffernan*, 1993 U.S. Dist. LEXIS 1846, at *17-18 (N.D. Ill. Feb. 18, 1993).
[4] *Ritchie v. Williams*, 395 F.3d 283, 290(6th Cir. 2005); *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019, 1029-30 (N.D. Cal. 2003); *Yamamoto & Co. (Am.), Inc. v. Victor United, Inc.*, 219 U.S.P.Q. 968, 980, (C.D. Cal. 1982); *Cartier, Inc. v. Three Sheaves Co.*, 465 F. Supp. 123, 129 (S.D. N.Y. 1979); *First Nat'l Bank of Omaha v. Autoteller Sys. Serv. Corp.*, 9 U.S.P.Q.2d 1740, 1743 (T.T.A.B. 1988).
[5] *Id.*
[6] *See supra notes 3 and 4.*
[7] Irene Calboli, *The Sunset Of "Quality Control" In Modern Trademark Licensing*, 57 Am. U. L. Rev. 341, 371-74 (2007) (discussing progressive erosion of quality control and advocating an approach based upon consumer expectations of quality).
[8] *Sterling Drug Inc. v. Lincoln Labs., Inc.*, 322 F.2d 968, 973 (7th Cir. 1963).
[9] *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1121-22 (5th Cir. 1991), *aff'd*, 505 U.S. 763, 120 L. Ed. 2d 615, 112 S. Ct. 2753
[10] *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 315 F.Supp. 45, 56 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971).



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The American Society for Neurochemistry's 42nd Annual Meeting,
to be held in St. Louis, March 19 – 23, 2011

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