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July 2020

The July 2020 issue of Sterne Kessler's MarkIt to Market® newsletter discusses Goldman Sachs' proprietary font software license and the Federal Trade Commission's new proposed Rule regarding "Made in USA" claims.

Sterne Kessler's Trademark & Brand Protection practice is designed to help meet the intellectual property needs of companies interested in developing and maintaining strong brands around the world. For more information, please contact Monica Riva Talley or Tracy-Gene G. Durkin.

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FONT SOFTWARE LICENSING – "SANS" DISPARAGEMENT

CLAUSE

By: Patrick de la Peña and Dana N. Justus

Multinational investment bank and financial services company Goldman Sachs made headlines last month with the introduction of its proprietary, but free-to-use, “Goldman Sans” typeface. The royalty-free, nonexclusive, and revocable license attached to the free-to-download font software granted the user the right to use, reproduce, and distribute unmodified copies of the software – but, as noted among many news sources, the license included a notable term that “the user may not use the Licensed Font Software to disparage or suggest any affiliation with or endorsement by Goldman Sachs.”

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MADE IN THE USA: THE FEDERAL TRADE COMMISSION PROPOSES A NEW RULE TO PROTECT U.S. MANUFACTURERS AND CONSUMERS

By: Sahar A. Ahmed

On June 22, 2020, the Federal Trade Commission (FTC) announced a Notice of Proposed Rulemaking pertaining to “Made in USA” claims, which applies to labels and marketing that fraudulently asserts that products are made in the United States. The proposed Rule would prohibit marketers from making what the FTC defines as unqualified claims (broad representations made without limitation) on labels unless: (1) final assembly or processing of the product occurs in the United States; (2) all significant processing that goes into the product occurs in the United States; **and** (3) all or virtually all ingredients or components of the product are made and sourced in the United States.

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Putting aside whether the anti-disparagement license term may be enforceable, it may surprise some that font is afforded intellectual property protection at all. In fact, the Copyright Act explicitly bars "typeface as typeface" from copyright protection in 37 CFR § 202.1. However, a computer program that creates or uses certain typeface or typefont designs (i.e., "font") can be protected by copyright – although that protection typically only extends to the underlying source code that generates these designs and not to the typeface itself. Font programs can also be the subject of design patents, although the threshold requirement for obtaining a design patent (novelty and non-obviousness) is a larger hurdle than the original work of authorship requirement in copyright. In addition, a design patent provides a 15-year protection term from the date of grant, while copyright protection can afford protection for a term of up to 120 years from the year of its creation (in the case of works made for hire).

Although the body of font license case law is not a large one, we may see this area develop as more large companies unveil their own custom typefaces. In just the last decade, tech giants such as Netflix, PayPal, and YouTube have introduced custom typefaces, in addition to other notable companies like Airbnb and BBC. These custom typefaces not only serve to boost these brands' customer recognition and goodwill, but can also cut the costs these corporations would otherwise pay to license fonts from third-party designers or companies.

As to that controversial Goldman Sans license restriction, it was certainly a creative tactic for restricting negative commentary about its brand rendered in its own distinctive font, and Goldman Sachs may not be the last company to try to use contract terms to accomplish this goal. However, Goldman Sachs has since removed the disparagement clause from its license – the relevant section is now limited to a notice that the user "may not use the Licensed Font Software to suggest any affiliation with or endorsement by Goldman Sachs." In any scenario,

the Goldman Sans font story is a good reminder that creativity and vigilance are important components of any intellectual property enhancement strategy.

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The proposed Rule would also allow the FTC to seek civil penalties or monetary damages for violations. Currently injunctive and equitable relief are the only remedies available to prevailing Complainants, which include not only competitor manufacturers, but also consumers.

Section 5 of the Federal Trade Commission Act allows for an administrative cause of action before the FTC to prohibit false or misleading claims that a product is of U.S. origin. The FTC requires that a product advertised as Made in USA be "all or virtually all" made in the U.S. These claims apply to explicit or implied country of origin statements on product labels, mail order catalogs, promotional materials, and "any materials, used in the direct sale or direct offering for sale of any product or service, that are disseminated in print or by electronic means." *See here*.

The proposed Rule evidences the FTC's intent to ramp up its enforcement practices of Made in USA actions in response to recent public scrutiny. Under the current rule, companies found guilty of fraudulent labeling and advertising practices do not face fines and are not required to report their wrongdoing to customers. As the Director of the FTC, Andrew Smith, acknowledged, "[w]hether a product is actually 'Made in the USA' is an important issue for consumers, manufacturers, retailers, and American workers." *See id.* Four of the five commissioners agreed that a change is in order and approved publication of the proposed Rule. In a separate statement supporting his affirmative vote, Commissioner Rohit Chopra stressed the importance of providing increased relief to consumers, "including redress, disgorgement, and even damages." *See here*.

By amending the rule to allow for the award of monetary damages instead of simply injunctive relief, the FTC incentivizes more people to come forward with Made in USA claims and provides stronger deterrence for wrongdoers. Once codified, the proposed Rule will benefit U.S. manufacturers and workers, protect consumers from low-quality or potentially dangerous products, and preserve the goodwill of the Made in the USA designation.

The proposed Rule was published in the Federal Register on July 16, 2020, with the public comment period ending on September 14, 2020.

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