

Resources

Business Law Quarterly—Winter 2013

Editor's Column

This issue of *Business Law Quarterly* includes a follow-up article about the trademark dilution aspects of the Rosetta Stone case.

Last issue we had a piece by Steve Mahieu about “Litigation Holds”. We’re supplementing that with an article in this issue about another case that discusses in more detail the issue of *when* does the duty to preserve evidence arise. You may be surprised.

My book recommendation this quarter is *The Innovator's Dilemma*, by Clayton Christensen. It was first published in 1997, but only recently came to my attention. It is about why successful companies have difficulties with what Christensen calls “disruptive technologies.” He uses the disk drive industry as his principal example because it changed extensively over a period of a little more than 20 years, and because there is a plethora of information available about the scope and character of the changes. Disk drives went from 12 inch drives used in mainframe computers, to 8 inch drives used in minicomputers, to 5¼ inch drives (for desktops) to 3½ inch drives (for portables) to 1.8 inch drives (for notebooks). At each step, the prior industry leader failed to maintain its leadership and in many cases the old leaders eventually disappeared.

Was that because the newer, smaller-sized drive was technologically beyond the capabilities of the prior manufacturing leader? No. To the contrary, in some cases the industry leader actually developed a drive of the newer, smaller, type but was unable to convince its customers to buy it. Mainframe computer makers did not see any need for 8 inch drives, which offered less data storage than 12 inch drives. Minicomputers, however, didn’t require the amount of storage of a 12 inch drive and their makers took to the 8 inch drive. But 5¼ inch drives did not offer sufficient memory for minicomputer needs. So the makers of 8 inch drives didn’t make the transition and, as the desktop market grew, a new set of drive manufacturers became dominant. The same thing happened with the changes to 3½ inch drives and 1.8 inch drives. In each case, the market for the new smaller drive was not well defined and the existing industry leader was unwilling to invest in a technology which its existing customers didn’t need. So first-mover status went to a new entrant and when the market for the smaller drive did emerge the new players making the smaller drives had an overwhelming advantage.

The author takes us through other examples, in excavating machinery (which transitioned from cable-operated steam shovels to hydraulics) and steel mini-mills (which began by using their electric furnaces to make re-bar, a low margin product that integrated steel companies didn’t care much about). The first hydraulic shovels (backhoes) didn’t have the muscle to lift large loads and weren’t of interest to mining companies and other mainstream excavation contractors. But, though backhoes were too small for those customers’ needs, a market for backhoes quickly developed, particularly in residential construction. This foothold allowed the manufacturers of backhoes the time to improve their technology, build bigger machines and invade the market for larger shovels. Soon enough, the cable actuated shovel was almost completely displaced. Similarly, mini-mills made re-bar much cheaper and were quickly able to dominate that market. From there they had a base allowing them time to improve their process to make higher quality steel and move into other markets. None of the integrated steel makers ever built a mini-mill.

Professor Christensen points out that the industry leaders were astute and well-managed and exceptionally good at what he terms *sustaining* innovation—making their products better in order to meet the needs of their existing customers. Thus, 12 inch drives improved in capacity and speed very substantially over time, as mainframe requirements demanded. But this very focus on meeting the expectations and needs of existing customers was antithetical to investing in the disruptive technology. Good management inherently worked against the ability of the company to develop or exploit disruptive innovation. Taking good care of existing customers meant that not enough resources were devoted to disruptive technologies.

So, what's the solution? How should a successful retailer like WalMart cope with on-line sales? The Internet is clearly a disruptive technology from the perspective of bricks and mortar retail. Christensen ends his book with a case study of the electric car and makes some interesting suggestions. Foremost of these is to recognize that the market for electric vehicles isn't known yet. Auto makers are trying to develop electric cars that would substitute for gas powered cars, but disruptive technologies are never successfully developed that way. What happens is that the new technology finds a new market. Once the new technology has a foothold, its makers find ways to *sustain* it—make it better—so that its market expands. Hydraulic excavators went from small buckets to larger and larger capacity as hydraulic technology got better and more reliable. Eventually, hydraulic machines dominated. In Professor Christensen's view, the first successful market for electric cars isn't going to be one that competes head-on with gas powered cars. It will be different, though we don't know how yet.

Andy Connor, Editor

Supreme Court Rules on Importing And Selling Foreign Made Goods

Under the Copyright Laws, copyright owners have the exclusive right to distribute copies of the copyrighted work. That exclusive right, however, is subject to a number of limitations, including the “first sale” doctrine. The first sale doctrine allows the owner of a particular copy (or phonorecord, for those of us old enough to recall phonorecords) “lawfully made under” the Copyright Act, to sell or otherwise dispose of the possession of that copy or phonorecord, without the copyright owner's permission.

Easy enough to understand. However, what happens if the copy of the copyrighted work sold was lawfully made under the Copyright Act in another country and subsequently imported into the United States, without the consent or permission of the copyright owner? A number of Federal Appellate Courts have held contrary views over the years, but the Supreme Court recently decided that exact issue in its *Kirtsaeng v. John Wiley & Sons, Inc.* decision.

The facts of the case are not complicated. John Wiley & Sons is a publisher of textbooks, which are sold in the United States and abroad. Many of their textbooks are sold for lower prices outside the United States. In 1997, Supap Kirtsaeng, a Thai citizen, moved to the United States to study mathematics at Cornell University. Mr. Kirtsaeng, realizing that identical textbooks were being sold for less money in Thailand, asked his family and friends to purchase the foreign editions of the English-language textbooks and send them to him in the United States, where he could sell them for more than the amount paid in Thailand.

Wiley learned of Kirtsaeng's activities and sued for copyright infringement. Wiley alleged that Kirtsaeng's unauthorized importing and selling of the less expensive foreign textbooks in the United States infringed Wiley's copyrights on the more expensive United States' editions. The District Court for the Southern District of New York held that Kirtsaeng could not assert the first sale doctrine because that doctrine did not apply to foreign-manufactured goods. The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights by importing and selling copies of eight Wiley titles without authorization, and assessed statutory damages of \$75,000 per work, or \$600,000 in total.

On appeal, the Second Circuit agreed with the District Court stating that the first sale doctrine only applies to the owner of a particular copy “lawfully made under” the Copyright Act, and that the statutory language does not apply to copies of American copyrighted works manufactured abroad.

The Supreme Court granted Kirtsaeng's petition for certiorari to consider whether the first sale doctrine applies to copies of American copyrighted works manufactured abroad and imported and sold in this country, in light of the split in views among the different Circuit Courts. The Supreme Court then reversed the Second Circuit with Justice Stephen Breyer delivering the majority opinion. The Supreme Court agreed with and adopted Kirtsaeng's nongeographic reading of the Copyright Act to mean simply made in accordance with or in compliance with the Copyright Act, finding this construction to be a better reading of the Act. The Supreme Court disagreed that the Copyright Act imposed a geographical limit on the application of the “first sale” doctrine. In reversing, the Supreme Court construed the language “lawfully made under this title” so as not to restrict the first sale doctrine to copies made in territories in which the Copyright Act is law.

The Supreme Court also took note of the “parade of horrors” that would result if such a geographic limitation were found to exist as Wiley argued. Some examples the Court mentioned were the need for American libraries to clear the copyright on their holdings of over 200 million foreign published books before circulating or otherwise distributing them; the need for owners of foreign made devices, such as automobiles, microwaves, calculators, mobile phones, tablets and personal computers to obtain permission from the copyright owners for each of the copyrighted software titles contained in those

products before the owners could re-sell them; and the need for art museums to obtain the copyright owner's consent before displaying any foreign-made artwork.

The *Kirtsaeng* Supreme Court decision is a wakeup call for companies that rely on copyright protection and that manufacture or sell works outside of the United States, especially if they price products differently in different geographic regions. Often, these companies rely on the copyright laws to protect from the importation and sale of "gray market" goods - goods that are legal but which are sold outside normal distribution channels by companies which may have no relationship with the manufacturer.

Such manufacturers will be forced by *Kirtsaeng* to rethink strategy, and may have to use other pertinent laws, such as the Trademark Act, in order to contest the importation of certain goods. Further, these companies should increase their diligence by better tracking and monitoring their distributors and the channels of trade, entering into stronger contractual agreements where necessary, and reviewing their licensing versus selling policies to see if they can increase protection from this "new" unauthorized and unwanted importation and sale of their goods.

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Rosetta Stone—Lesson Two

We reported on Rosetta Stone's trademark suit against Google in our last issue. Rosetta Stone sued Google claiming direct trademark infringement, contributory infringement, vicarious infringement, trademark dilution and unjust enrichment. All these claims arose because Google was allowing advertisers to use Rosetta Stone's trademarks in their ads[1], and some of the advertisers were selling fake Rosetta Stone products. Rosetta Stone got complaints from understandably unhappy consumers who thought they were dealing with Rosetta Stone's authorized dealers and re-sellers. So Rosetta Stone asked Google to not allow such use of Rosetta Stone's trademarks. Google refused, mainly for profit oriented reasons.

Google got the trial court to dismiss Rosetta Stone's case, but the United States Court of Appeals reversed, holding that Rosetta Stone had alleged enough, and offered enough evidence, to be allowed to present several of its claims at trial, including the infringement and dilution claims.

Functionality

One of Google's defenses to the infringement claims was that Google's use of the Rosetta Stone marks was "functional". The functionality doctrine developed in the common law and prohibits creating trademark rights in the functional features of a product or its packaging. The doctrine's purpose is to maintain a distinction between patent law, which protects new product features and designs but only for the limited length of the patent's life, and trademark law, which protects against confusing the public as to the source of goods or services. So long as a trademark performs that service, it may be renewed into perpetuity.[2]

Congress amended the Lanham Act in 1998 to adopt the functionality doctrine by prohibiting trademark registration for a functional feature, and by making functionality a statutory defense to an incontestably registered mark. According to the U.S. Supreme Court a feature is functional if it is essential to the use or purpose of the article or affects the cost or quality of the article.

The trial court had concluded that Google's use of the Rosetta Stone trademarks as keywords in Google's search program was functional, because they enabled Google to readily identify relevant information in response to an inquiry. The Court of Appeals said that was incorrect. It focused on whether Rosetta Stone's mark made Google's product more useful. The correct test was to determine if the mark was essential to Rosetta Stone's software:

"Clearly, there is nothing functional about Rosetta Stone's use of its own mark; use of the words 'Rosetta Stone' is not essential for the functioning of its language-learning products, which would operate no differently if Rosetta Stone had branded its product "SPHINX" instead of ROSETTA STONE."

The word mark ROSETTA STONE is not functional, said the Court of Appeals, and as a result the doctrine of functionality was not applicable in the circumstances and the trial court should not have relied upon it.[3]

Dilution

Until 1996, trademark dilution was not recognized by U.S. Federal law and was based on state law only, which characterized trademark dilution as unauthorized use of a trademark to identify other sources for goods or services so that the ability of the mark to clearly identify and distinguish only one source is weakened or “diluted”. Federal trademark law began covering dilution in 1996 under the Federal Trademark Dilution Act, which was passed in 1996 and amended substantially in 2006 by the Trademark Dilution Revision Act of 2006.

The Federal Trademark Dilution Act provides that the owner of a “famous”^[4] mark is entitled to injunctive relief against use by others of the mark in a way that is likely to cause dilution by blurring or dilution by tarnishment. The statute defines *dilution by blurring* as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” *Dilution by tarnishment* is defined to mean the “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”

Dilution by blurring has been described as “the whittling away of the established trademark’s selling power and value through its unauthorized use by others.”^[5] Tarnishment creates consumer aversion to the famous brand, by association of the mark with goods of poor quality or in an unsavory context such that the consumer “will associate the lack of quality or lack of prestige” in the infringer’s goods with the mark owner’s goods.

To state a dilution claim, Rosetta Stone had to show (1) that it owned a distinctive *famous* mark; (2) that Google had commenced using a mark in commerce that was diluting Rosetta Stone’s mark; (3) that a similarity between the two marks had given rise to an association between the marks; and (4) that the association was likely to impair the distinctiveness or impair the reputation of Rosetta Stone’s mark.

Google defended in part by claiming that it wasn’t using Rosetta Stone marks to identify Google goods and services and was entitled to the benefit of the statute’s “fair use” defense. The trial court agreed. It also found that Rosetta Stone’s brand identity had increased and therefore that the reputation and distinctiveness of its marks had not been affected.

The Court of Appeals however, said that the burden was on Google to establish the defense of fair use – that Google had to prove that its use of the mark was other than as a source identifier and also in *good faith*, which the Court said was a component of fair use. And the inquiry into good faith included whether Google intended to create consumer confusion as to source or sponsorship. That meant that Google had to show that it had not done anything that suggested affiliation or sponsorship or endorsement by Google of the infringers’ uses of the Rosetta Stone mark. The trial court had failed to provide any analysis of the good faith issue. Therefore, the Fourth Circuit vacated the trial court’s summary judgment in favor of Google based on fair use and remanded for reexamination of the issue in light of the Fourth Circuit’s opinion.

Google had one arrow left in its quiver: it claimed that Rosetta Stone’s mark was not *famous* when Google commenced using it. Only *famous* marks are entitled to anti-dilution protection under the Federal Trademark Dilution Act. Rosetta Stone argued that the diluting use began in 2009 and that evidence showed that by then Rosetta Stone’s brand awareness had reached 75%. The Fourth Circuit, however, noted that Rosetta Stone’s complaint asserted that Google’s diluting use began in 2004 when Google started permitting the use of trademarks as keyword triggers. And, said the Court, the evidence wasn’t at all clear whether the mark was famous at that time. Therefore, said the Court, this fact-intensive issue should be reconsidered by the trial court as part of the remand.

More on the Subject of Litigation Holds

Last issue we published Steve Mahieu’s article about litigation holds. As Steve put it:

A litigation hold is a comprehensive undertaking by a party to identify and preserve documents and data, both in paper and electronic form, in that party’s possession, custody, or control. . . . Before implementing a litigation hold, a party must first consider the threshold question of whether its duty to preserve documents and information has been triggered. . . . Courts hold that the duty to preserve arises whenever litigation is “reasonably anticipated.”

When we read that, we took it to mean that there was a duty on the party on the defensive side of the dispute. It didn’t occur to us that it equally applies to the party raising the dispute. But it does.

Say that Company A enters a contract with Company B under which Company B agrees to design and build a piece of equipment for a stated price. As the work proceeds, B realizes that there are some unanticipated technical issues and it sends a letter to A stating that, due to the unforeseen problems, it may be seeking a price increase. Personnel of A and B meet to discuss the issue, and A then has an internal review, including some email discussion among A's personnel, about whether B should be allowed a price increase, or whether A should cancel the contract or A should insist on strict performance as contracted.

A decides to refuse to agree to a price increase and notifies B that the contract will not be modified. At this point, would you think that Company A has a duty to preserve information? Is litigation "reasonably anticipated?" Company A might say no. For all it knows, B will honor the contract and complete the work, even if at a loss. A may not expect that, but it could happen. A may expect that B will stop work if A says no to the price increase, but at what point should A "anticipate" that there is likely to be litigation and institute a litigation hold?

Voom HD Holdings LLC v. EchoStar Satellite L.L.C. [6] is a comparatively recent case addressing this point. Voom provided television programming. EchoStar was a satellite distribution system delivering digital television to subscribers. On November 17, 2005, Voom and EchoStar entered a 15 year contract—an *affiliation agreement*—under which Voom would provide HD programming that EchoStar would offer its subscribers.

In mid-2007, EchoStar had a change of heart. In June, 2007, EchoStar's Vice Chairman told subordinates that the deal was a mistake because Voom was not driving enough HD subscribers to justify Voom's high price. The contract included a right of EchoStar to terminate if Voom failed to spend \$100 million on the service in any calendar year, and gave EchoStar the right to audit Voom's expenses and investments. On June 19th, the Vice Chairman instructed EchoStar's General Counsel to prepare a breach notice, a demand for audit, and a summary of breach remedies. The same day, EchoStar's counsel sent a letter to Voom advising of EchoStar's intent to avail itself of its audit rights. The next day, EchoStar's counsel sent a second letter expressing belief that Voom had failed to spend the required \$100 million in 2006 and therefore that EchoStar was entitled to terminate the contract.

In July, Voom sent EchoStar an analysis showing that Voom's 2006 expenditures exceeded \$100 million. EchoStar's counsel then sent Voom letter claiming "material breaches" and reserving EchoStar's rights and remedies. Ten days later, still in July, 2007, EchoStar's executives began consulting with in-house counsel regarding the matter. Another letter claiming breach and reserving rights and remedies was sent to Voom.

On July 31, 2007 Voom decided that litigation was likely enough that Voom instituted a litigation hold internally.

EchoStar conducted an audit of Voom in October. EchoStar's auditor concluded that Voom had spent at least the amount required in 2006. Nevertheless, on November 16th, EchoStar sent another letter. This one threatened immediate termination if Voom did not agree to certain changes to the contract. Voom refused. January 23rd, EchoStar's Vice President for Programming, sent an email to Voom's SVP Programming stating that EchoStar was proceeding with the plan for "a full termination". By letter dated January 28th, Voom protested that EchoStar had no right to terminate. January 30th, EchoStar formally terminated the contract, effective February 1st. Voom filed suit the next day, seeking a determination that such action by EchoStar was a breach.

Notwithstanding that the parties were in litigation on January 31, 2008, EchoStar did not institute a litigation hold until June 1, 2008, nearly a year after EchoStar had begun the process which led to the lawsuit. EchoStar's internal procedure was that emails sent and emails deleted by any employee were automatically and permanently purged after seven days.[7] Thus, many relevant emails were destroyed, even after the case was filed. In fact, the court noted, the emails of September 27, 2007 and January 23, 2008 reflecting EchoStar's intention to terminate unless Voom agreed to the changes which EchoStar was demanding were only produced due to the "fortunate circumstance that they were captured in unrelated 'snapshots' of certain executives' email accounts taken in connection with other litigations."

Voom moved for spoliation sanctions, claiming that EchoStar's actions and correspondence demonstrated that it should have reasonably anticipated litigation prior to Voom's filing suit. The court agreed, finding that EchoStar should have imposed a litigation hold in June, 2007, *more than seven months before suit was filed by Voom*. [8]

The emphasis on that last statement is mine. I emphasized it because I was startled by its import. The court said that when EchoStar started maneuvering to get out of the contract, it should have imposed a litigation hold: "EchoStar should have reasonably anticipated litigation as of June 20, 2007, the date it sent a letter to Voom demanding an audit and threatening termination of the contract based on allegations that Voom failed to spend \$100 million on the service in 2006."

EchoStar made two arguments as to why its failure to preserve evidence should be excused. The first was that the relevant emails were produced (albeit only because of other litigation) and so Voom wasn't deprived of the evidence. The second argument was that EchoStar was negotiating in good faith for a modification of the contract. The court did not buy either argument, because the availability of the key emails was a fluke and did not excuse EchoStar's destruction of them[9], and because the existence of a negotiation did not vitiate the duty to preserve evidence.

The conclusion—the *lesson to be learned*—is that the duty to begin preserving evidence arises earlier than one might expect regardless of which side you're on. Anyone beginning to think about how to get out of a contract, or what remedies to pursue if there should be a breach of an agreement, may be at the point where a litigation hold should be implemented.

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Are Overdrafts Potential Preferences?

Unless you are fortunate, sooner or later some business that you have sold something to files bankruptcy and you receive a letter from the trustee (or its attorneys) asserting a claim of preference and demanding that you disgorge a payment which you received from the bankrupt debtor. That's because the bankruptcy code allows for "preferences" to be recovered for the benefit of the estate and the other creditors. The idea is to gather back into the estate any payments recently made that prefer one creditor over others, so that all creditors get treated equally. In order to establish a preference, there must be a transfer of an interest of the debtor in property (1) to or for the benefit of a creditor; (2) *for or on account of an antecedent debt owed by the debtor before such transfer was made*; (3) made while the debtor was insolvent; (4) made on or within 90 days preceding the petition date[10]; and (5) that enables the creditor to receive more than it would in a chapter 7 liquidation [11].

Say, for example, you sent a shipment on credit to an established customer on August 5th. As you have in the past, you also sent an invoice, calling for payment within 30 days. You didn't know it, but your customer wasn't doing so well financially. He doesn't pay in 30 days, as he always has in the past. In fact, he doesn't pay your invoice until late October after you have made several calls asking about it. Then, in December, the customer files a chapter 11 bankruptcy, seeking to reorganize. A few months later, you are surprised to get a demand for return of the payment you received in October. You thought you'd made a sale, not a loan. You are even more surprised to learn (from your lawyer) that you may have to comply.

A recent case with facts somewhat similar is *In re Agriprocessors Inc.*, 490 B.R. 852 (Bankr. N.D. Iowa 2013). There, the creditor in question was a bank (Luana Savings Bank) that had been routinely paying overdrafts on the debtor's daily operating checking account. Luana was comfortable doing this because the debtor, Agriprocessors, had a separate savings account at Luana that held a balance of over \$1 million.

When a payor bank receives a check presented for payment, it has until midnight on the "banking day" of receipt to process the check[12]. It can provisionally settle (i.e. pay) the check but revoke that decision up until midnight. If it fails to dishonor the check by the midnight deadline, then it has to pay the item. With business customers, what a payor bank often does is hold the check and call the customer to tell the customer that if funds are not immediately deposited sufficient to cover the check, then the check will be dishonored.

Luana, however, had adopted a "pay all" policy for Agriprocessors' checks. So it provisionally paid checks presented each day before the midnight cutoff. Then it would compare the checks presented to the funds on deposit in the Agriprocessors operating account and if the checks exceeded the funds in the account, it would notify Agriprocessors, which usually then arranged for a wire transfer to Luana of funds to cover the shortfall. On most occasions, the covering wire came in on the same banking day. Sometimes, the covering wire came in the next banking day.

The bankruptcy trustee for Agriprocessors sued Luana seeking to avoid over \$5 million in allegedly preferential payments resulting from the overdrafts. The trustee argued that Agriprocessors had created a "float" with Luana by writing bad checks in order to obtain a free day of credit. In other words, Luana had given Agriprocessors an informal line of credit under which it had made a series of short term loans when it paid checks in excess of funds on deposit, and the subsequent wire transfers were pay downs on those loans, which, in bankruptcy-speak, were *antecedent debts*.

Luana moved for summary judgment.[14] It argued that there was no dispute as to what had happened and no loan arrangement as a matter of law. The Court agreed with Luana that intraday overdrafts are not automatically extensions of credit. No "debt" was created until Agriprocessors was legally obligated to pay Luana, which did not occur until Luana's

right to dishonor the check expired, which was at midnight.

The Court relied on Supreme Court precedent establishing that a “transfer” of a debtor’s interest in property occurs under the Bankruptcy Code for this purpose when the check issued by the debtor is honored by the debtor’s bank by paying it (*Barnhill v. Johnson*, 503 U.S. 393 (1992)), and that, under the Uniform Commercial Code, a check is “paid” when the provisional settlement can no longer be revoked. Luana’s “payment” of the Agriprocessors checks, therefore, did not occur until the following banking day. So in most of the instances alleged to be preferences, no “transfer” of the debtor’s property occurred until after there were sufficient funds in the operating account, because the covering wire came in before midnight the next banking day. So no loan was created and there was no antecedent debt, defeating the bankruptcy trustee’s case for a preference.

The Court concluded that routine intraday overdrafts, standing alone, are not extensions of credit, provided they are covered or reversed before the applicable midnight cutoff. But the Court indicated that a preference could exist if an intraday overdraft was “non-routine” or the result of a “special agreement” between Luana and Agriprocessors. Some of Luana’s overdrafts might still be considered preferences if they fell within those exceptions. Because those facts had not been presented in the context of the motion for summary judgment, the Court denied the motion.

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[1] Up to three of the sponsored advertising links now appear in a box at the top of the search results page with a small heading that says “Ads related to [searched term in bold].” Additional sponsored links may appear on the right side of the results page.

[2] An entertaining illustrative case is *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938). After the inventor of shredded wheat’s patent expired, Kellogg began making the product in competition with the Shredded Wheat Company, which held the patent. Kellogg’s product and packaging looked very much like Shredded Wheat’s. Nabisco acquired Shredded Wheat and eventually sued Kellogg alleging trademark infringement. Kellogg prevailed: the U.S. Supreme Court decided that the name was functional and that there was a right to copy it after the patent had expired.

[3] This is even more problematic when a mark is descriptive of the product. In the case mentioned above, the U.S. Supreme Court held that “shredded wheat” lost protectable trademark status because in the eyes of the public it had become a generic description of a certain kind of cereal.

[4] Under the statute, “a mark is famous if it is widely recognized by the general consuming public” as a designation of source of the goods or services of the mark’s owner. *Widely recognized* has been compared to being a household name. *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir.2004).

[5] *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.2010).

[6] [Need cite. NY Supreme Ct, 2012]

[7] The prevalence of email and other electronic communications and the tendencies of companies’ to have IT systems procedures which automatically erase and purge such information aggravates the issue and increases its significance in today’s world. “Hard” copies of documents are typically retained by companies for much longer periods than they retain electronic communications and data. People tend to print a copy and put it in the file if they think it might be needed later or is otherwise an important record. But the quantity of email makes that less practical and many emails are never printed.

[8] Voom wanted EchoStar’s answer stricken as punishment for the spoliation, which would have effectively won the case for Voom. The court ruled that, rather than striking the answer, since other evidence was available to Voom, a negative or adverse inference against EchoStar was an appropriate sanction — meaning that the jury could infer from EchoStar’s destruction of evidence that the destroyed evidence supported Voom’s claims.

[9] The court found EchoStar’s delay in imposing a litigation hold was inexcusable, particularly since EchoStar had already been notified of the duty in a prior case.

[10] If the payment was made to an “insider”, the look back period is one year, rather than 90 days.

[11]I.e., the recipient got preferential treatment.

[12]Checks presented before the bank’s “cutoff” time (which is usually 2 p.m. or later) are treated as received that day. Checks received after the cutoff time are deemed received the next day.

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[13] A court will grant summary judgment when it determines that there are no material factual issues in dispute and it can decide the case based on the law. If the parties can agree on what happened, the court can determine the applicable law and apply it to the facts and decide whether a cognizable claim has been stated.

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