

Chapter I

Common Law

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§ 1 Introduction

In overruling tort claim under Florida law where defendants refused to renew a racing contract with the plaintiff dog racer and breeder, the court held that an individual can refuse to enter into a contract or to maintain a business relationship terminable at will for any reason sufficient to himself. “Even if defendants did intentionally inflict economic harm on the plaintiff, such behavior is tolerated by the law because of the state’s interest in protecting the individual freedom to enter, or to refrain from entering, into contractual relationships.” *Fulton v Hecht* (1978, CA5 Fla) 580 F2d 1243, reh den (CA5 Fla) 585 F2d 520 and cert den (US) 60 L Ed 2d 241, 99 S Ct 1789.

The rent control ordinance of the City of Berkeley, California did not conflict with the Sherman Act according to the Supreme Court of California, and the Supreme Court of the United States in *Fisher v Berkeley* (1985, US) 86 L Ed 2d 270, 105 S Ct 2653, noted probable jurisdiction limited to the antitrust preemption question. Justice Marshall, (1986, US) 89 L Ed 2d 206, 106 S Ct 1045, stated the issue as “whether a rent control ordinance enacted by a municipality pursuant to popular initiative is unconstitutional because preempted by the Sherman Act.” In affirming the Supreme Court of California, the Supreme Court of the United States held that the rent control established by the ordinance lacked “the element of concerted action needed before they can be characterized as a *per se* violation of the Sherman Act,” therefore the Court could not say that the ordinance was “facially inconsistent” with the federal antitrust laws. In deciding the preemption

question the Court found that the rent ceilings imposed by ordinance and maintained by the Stabilization Board had been unilaterally imposed by government upon landlords to the exclusion of private control. As the Berkeley Ordinance stabilizes rent without the element of concerted action, it could not run a foul of section 1 of the Sherman Act. The reach of section 1, the Court noted, was always limited to “unreasonable restraints of trade effected by a ‘contract, combination . . . , or conspiracy’ between *separate* entities.” (citing *Copperweld Corp. v Independence Tube Corp.* (1984) 467 US 752, 81 L Ed 2d 628, 104 S Ct 2731, remanded without op (CA7) 753 F2d 1076 and remanded without op (CA7) 753 F2d 1076, Text, Supp. § 117). Ordinary relationships between the government and those who must obey is not enough to establish a conspiracy, and the property owners herein did not fall within an exception to that principle. They were not given a degree of private regulation power.

Justice Powell in a concurring opinion took the position that it was not necessary to reach out and decide a preemption question as the case fell within the state action exemption. Justice Brennan dissented.

In Justice Brennan’s dissent the concluded that by declaring maximum prices that landlords may charge, the ordinance pressures landlords to fix prices for their rental units and therefore the ordinance facially conflicts with the Sherman Act because it mandates price fixing an activity that has long been regarded as a *per se* violation of the Sherman Act. As to the usual concerted action in a price fixing situation, he says “I do not read our decisions necessarily to require proof of such con-

certed action as a prerequisite to a finding of preemption.” Certainly, nothing we said in *Rice* (*Rice v Norman Williams Co.* (1982) 458 US 654, 73 L Ed 2d 1042, 102 S Ct 3294) “supports such a narrow view of preemption.”

For other cases on preemption see Text, Supp. § 163A.

§ 2 Interference with contracts

Employee, who was about to leave and work for another insurance company, solicited other employees to quit and join him in other company. Such conduct constituted unfair competition. *American Republic Ins. Co. v Union Fidelity Life Ins. Co.* (1972, CA9 Or) 470 F2d 820.

Where the interference is shown to be intentional, malice will be inferred under Florida law. Where dealer agreed with prospective purchaser to sell dealership for \$100,000, but zone manager indicated he would not approve a sale for any amount in excess of \$50,000, value of the tangible assets, and defendant’s own expert witness admitted that goodwill was worth \$35,000 to \$50,000, it was error for court to set aside finding of jury by granting judgment n.o.v. *Frank Coulson, Inc. Buick v General Motors Corp.* (1974, CA5 Fla) 488 F2d 202.

NCAA by law limiting the maximum number of basketball coaches did not constitute tortious interference with contract rights. *Hennessey v National Collegiate Athletic Asso.* (1977, CA5 Ala) 564 F2d 1136.

Interference with contractual relations lies when a third party adversely affects the contractual relations of two other parties. Interference with financial expectations requires the existence of independent tortious conduct such as fraud, duress, or defamation. *Paint Products Co. v Minwax Co., Inc.* (1978, DC Conn) 448 F Supp 656.

Summary judgment granted to defendant on a claim of intentional interference with contractual relationship. The contract did not provide for exclusive territory hence there was no interference with such right. *Lee v Flintkote Co.* (1979, App DC) 593 F2d 1275.

In a claim for tortious interference malice is not required. It is sufficient to show that the defendant acted with the purpose of causing the specific harm cited, namely interfering with the known contract. The jury could have found that the defendant knowingly, intentionally, and improperly interfered with the plaintiff’s contractual

relationship and induced the other party to cancel its contractual relationship with the plaintiff. *Engine Specialties, Inc. v Bombardier, Ltd.* (1979, CA1 Mass) 605 F2d 1, on reh (CA1) 615 F2d 575, cert den (US) 64 L Ed 2d 839, 100 S Ct 2964.

An essential element of the tort of inducement of breach of contract is the existence of a valid contract. Here the contract was unenforceable under the statute of frauds. *Nifty Foods Corp. v Great Atlantic & Pacific Tea Co.* (1980, CA2 NY) 614 F2d 832.

The plaintiffs’ judgment for tortious interference was reversed because there was no evidence of any motive or purpose to injure them. While negligent interference with prospective economic advantage was not pleaded, the criteria laid down by the California Supreme Court were not met. *De Voto v Pacific Fidelity Life Ins. Co.* (1980, CA9 Cal) 618 F2d 1340, cert den (US) 66 L Ed 2d 89, 101 S Ct 206.

Tortious interference under the state law of Missouri required (1) a contract, business relationship, or expectancy; (2) knowledge thereof; (3) intentional interference inducing or causing breach; (4) absence of justification; (5) damages. *Squirtco v Seven-Up Co.* (1980, CA8 Mo) 628 F2d 1086, 207 USPQ 897.

Malice, in the sense of personal ill will, spite, or hatred on the part of the interferer is not an essential element of the cause of action for tortious interference with lifetime printers’ employment contract. Malicious inducement is not inferred from the mere fact that a third party enters into a contract with one of two contracting parties with knowledge of the existing contract. *Heheman v E. W. Scripps Co.* (1981, CA6 Ohio) 661 F2d 1115, reh den (CA6) 668 F2d 878, and cert den (US) 73 L Ed 2d 1286, 102 S Ct 2272.

The elements of the tort of interference with an advantageous relationship are: (1) a business relationship or contemplated contract of economic benefit; (2) the defendant’s knowledge of such relationship; (3) the defendant’s intentional and malicious interference with it; (4) the plaintiff’s loss of advantage directly resulting from the defendant’s conduct. *Comey v Hill* (1982) 387 Mass 11, 438 NE2d 811.

To be liable for tortious interference with a contract the defendant would have had to know that the contract existed and would have had to do a specific act to cause the breach of contract. *Independence Tube Corp. v Copperweld Corp.* (1982, CA7 Ill) 691 F2d 310, cert gr (US) 77 L Ed 2d 1365, 103 S Ct 3109.

Under New Jersey law, the former employees of a Chapter 11 corporate debtor did not tortiously interfere with the debtor's contractual relations by soliciting the debtor's customers. The debtor's customer lists, which the employees allegedly misappropriated, were not proprietary information, and the employees did not contact the customers until after the bankruptcy trustee closed the debtor and terminated the employees and thus ended the employees' duty of loyalty to the debtor. In re Target Industries, Inc., 386 Fed. Appx. 233 (3d Cir. 2010).

A New York Jets season ticketholder brought an action against the New England Patriots, its head coach, and the National Football League, alleging various causes of action, including tortious interference with contract as well as causes of action under consumer fraud and deceptive business practice statutes, arising out of the team's alleged practice of surreptitiously videotaping the signals of opposing teams. Under New Jersey law, as predicted by the Court of Appeals, the season ticketholder suffered no cognizable injury to a legally protected right or interest through the acts of the New England Patriots, an opposing football team, in "stealing" his team's signals by means of surreptitious videotaping. The ticket only granted its holder a contractual right to entry into the stadium and a seat from which to watch the specified game. Mayer v. Belichick, 605 F.3d 223, R.I.C.O. Bus. Disp. Guide (CCH) P 11857 (3d Cir. 2010), cert. denied, 131 S. Ct. 1607 (2011).

Under Illinois law, claims that a defendant induced a breach of contract and tortiously interfered with the contract are functionally the same, because the allegations that the parties have improperly induced a breach are addressed under the tortious interference framework. To prove tortious interference with a contract, a plaintiff must show: (1) the existence of a valid or enforceable contract between the plaintiff and another; (2) the defendant's awareness of the contract; (3) the defendant's intentional and unjustified inducement of a breach of the contract; (4) a subsequent breach by the other, caused by the defendant's conduct; and (5) damages. A party cannot tortiously interfere with a contract to which he or she is a party. Thus, an attorney's former law firm and the firm's president did not tortiously interfere with, or induce the breach of, the attorney's employment contract with the firm; the firm and the president were both parties to

the contract at issue. Hess v. Kanoski & Associates, 18 Wage & Hour Cas. 2d (BNA) 1230, 2012 WL 310866 (7th Cir. 2012).

To establish a tortious interference with a contract claim under Illinois law, a plaintiff has the burden of proving the following elements: (1) the existence of a valid or enforceable contract between the plaintiff and a third party; (2) the defendant's awareness of the contract; (3) the defendant's intentional and unjustified inducement of a breach of the contract; (4) the defendant's wrongful conduct caused a subsequent breach of the contract by the third party; and (5) damages. There was no evidence that a current distributor induced a supplier's breach of an agreement with a former distributor, or that the current distributor caused the supplier's breach of the agreement, as required for the former distributor's tortious interference with contract claim against the current distributor. Echo, Inc. v. Timberland Machines & Irr., Inc., 661 F.3d 959 (7th Cir. 2011).

To prevail on a claim of tortious interference with a contract under Massachusetts law, a plaintiff must establish that: (1) he or she had a contract with a third party; (2) the defendant knowingly induced the third party to break that contract; (3) the defendant's interference, in addition to being intentional, was improper in motive or means; and (4) the plaintiff was harmed by the defendant's actions. CQ Intern. Co., Inc. v. Rochem Intern., Inc., USA, 659 F.3d 53, 80 Fed. R. Serv. 3d 788 (1st Cir. 2011).

To establish a claim for tortious interference with a contract under Arkansas law, a plaintiff must establish: (1) the existence of a valid contractual relationship; (2) knowledge of the relationship on the part of the third party; (3) intentional and improper interference by that third party inducing or causing a breach or termination of the relations; and (4) resulting damage to the plaintiff. Schueller v. Goddard, 631 F.3d 460 (8th Cir. 2011).

§ 3 Interference with prospective business relations

Interference with contractual relations lies when a third party adversely affects the contractual relations of two other parties. Interference with financial expectations requires the existence of independent tortious conduct such as fraud, duress, or defamation. Paint Products Co. v. Minwax Co. (1978, DC Conn) 448 F Supp 656.

Allegation that defendant interfered with

“confidential relationship” was properly dismissed. The relevant tort under the state law was interference with advantageous business relations, and that required proof that defendant’s sole motive was to inflict injury and employed unlawful means to do so. *Nifty Foods Corp. v Great Atlantic & Pacific Tea Co.* (1980, CA2 NY) 614 F2d 832.

While under Missouri law unjustified interference with reasonable expectancies of commercial relations is an actionable tort, the interest of NOW to petition and right to political association outweigh the interest in protecting the business expectancy involved. *Missouri v National Organization for Women, Inc.* (1979, WD Mo) 467 F Supp 289, *affd* (CA8 Mo) 620 F2d 1301.

Absent a contract between the plaintiff and a customer, solicitation by an employee of his former employer’s customers will not be enjoined unless some type of unfair trade practice is shown, such as where trade secrets or confidential information is used in the solicitation. Nor is mere solicitation of employee, under no contract of employment, to leave and associate with a competing firm illegal. *Hollingsworth Solderless Terminal Co. v Turley* (1980, CA9 Cal) 622 F2d 1324.

Tortious interference under the state law of Missouri required (1) a contract, business relationship, or expectancy; (2) knowledge thereof; (3) intentional interference inducing or causing breach; (4) absence of justification; (5) damages. *Squirtco v Seven-Up Co.* (1980, CA8 Mo) 628 F2d 1086, 207 USPQ 897.

Two elements of a tortious interference claim were absent. It was not shown that USTA knew of the agreement and no damage was shown. *United States Trotting Asso. v Chicago Downs Asso., Inc.* (1981, CA7 Ill) 665 F2d 781.

A business is protected from malicious and wanton interference under Louisiana law. *Dussouy v Gulf Coast Invest. Corp.* (1981, CA5 La) 660 F2d 594.

The defendant, a non-profit organization, required dogs to be examined by veterinarians certified by the American Veterinary College of Ophthalmologists (AVCO) before listing the dogs in its registry. AVCO required passage of test before certifying a veterinarian. The plaintiffs, who had not obtained a certificate, brought an action for violation of the antitrust laws which included a count for tortious interference with prospective economic advantage. A directed verdict for the defendant was up-

held as there was no evidence of improper motive or purpose. There was insufficient evidence to show that there was disruption of an ongoing economic relationship between the plaintiffs and third parties. *Rickards v Canine Eye Registration Foundation, Inc.* (1983, CA9 Cal) 704 F2d 1449.

In an action for intentional interference with a prospective business relationship the court held that protected area of activity is not a contractual relationship but an economic relationship with the potential to ripen into a contract. *Aydin Corp. v Loral Corp.* (1983, CA9 Cal) 718 F2d 897.

Interference with prospective business relations acquired evidence of an illegal act. *Great Escape, Inc. v Union City Budy Co.* (1986, CA7 Ind) 791 F2d 532.

A twenty-year customer relationship created a protectable business expectancy, however, a further requirement in an interference with prospective business relations counterclaim count was whether the conduct of the adverse party was not justified. There was a competitive relation between the parties, and as Conoco simply engaged in the ordinary competitive practice of bidding against a competitor in the hope of obtaining the latter’s customer for itself; it did not constitute a wrongful means of competition or a wrongful means in the context of interference with prospective business relations. *Conoco, Inc. v Inman Oil Co.* (1985, CA8 Mo) 774 F2d 895.

For subsequent history of *Rickards v Canine Eye Registration Foundation, Inc.*, (1986, CA9 Cal) 783 F2d 1329.

Where Texaco was not on notice of plaintiff’s intention to assign its marketing agreement, there was not support for plaintiff’s claim of intentional interference with its prospective economic advantage. *Richard Short Oil Co. v Texaco, Inc.* (1986, CA8 Ark) 799 F2d 415.

While the plaintiff did owe the defendant money, the jury was entitled to find that the particular manner in which the defendant chose to collect its bills tortuously interfered with the plaintiff’s business relationships. Under Florida law the establishment of liability for a breach of duty will support an otherwise valid punitive damage award even in the absence of financial loss for which compensatory damages would be appropriate. *Ad-Vantage Tel. Directory Consultants, Inc. v GTE Directories Corp.* (1987, CA11 Fla) 849 F2d 1336, 1987-2 CCH Trade Cases ¶ 67683.

The court declined to exercise pendent jurisdiction as the state law of Indiana did

not recognize that low pricing was a common law tort. *Indiana Grocery Co. v Super Valu Stores, Inc.* (1988, SD Ind) 684 F Supp 561, 1988-1 CCH Trade Cases ¶ 67917.

Perceptron, Inc. v Sensor Adaptive Machines, Inc. (2000, CA6 Mich) 221 F3d 913, discussed in detail in § 4.

To succeed under a theory of tortious interference with a business interest under Missouri law, a plaintiff must prove: (1) a contract or valid business expectancy; (2) the defendant's knowledge of the contract or relationship; (3) a breach induced or caused by the defendant's intentional interference; (4) the absence of justification; and (5) damages. To satisfy the justification element, a plaintiff must demonstrate that the defendant lacked a legal right to justify its actions. For purposes of the justification element, not only does the ownership of a valid trade secret justify an attempt to protect a trade secret, good-faith efforts to enforce legal rights are even justified when a court later decides the claimed rights do not actually exist. Thus, a helicopter engine manufacturer was justified in bringing a suit against a helicopter engine repair company to protect trade secrets, and such suit thus did not constitute tortious interference with the repair company's business interest under Missouri law, notwithstanding that the manufacturer abandoned its claims about some overhaul information letters, where it succeeded at a jury trial on its claim based on one overhaul information letter. *AvidAir Helicopter Supply, Inc. v. Rolls-Royce Corp.*, 663 F.3d 966, 101 U.S.P.Q.2d 1069, 2011-2 Trade Cas. (CCH) ¶ 77724 (8th Cir. 2011).

To succeed the tort of intentional interference with a business relationship under Illinois law, a plaintiff must show: (1) a reasonable expectation of continued employment; (2) the defendant's knowledge of the business relationship; (3) intentional interference; and (4) damages. *Redd v. Nolan*, 663 F.3d 287, 33 I.E.R. Cas. (BNA) 101, 94 Empl. Prac. Dec. (CCH) P 44335 (7th Cir. 2011).

The elements of a claim for tortious interference with advantageous relations under Massachusetts law are a known advantageous relationship such as employment, deliberate interference, improper motive or means, and resulting economic harm. "Improper motive," as an element of tortious interference with advantageous relations, may be actual malice or spiteful, malignant purpose, unrelated to a legitimate corporate interest. In order to estab-

lish the improper motive element, it is enough that malice was the controlling factor in any interference. *Tuli v. Brigham & Women's Hosp.*, 656 F.3d 33, 113 Fair Empl. Prac. Cas. (BNA) 116 (1st Cir. 2011).

A hospital's contractual right to request a doctor's removal from the hospital, in its sole discretion, at any time preclude the doctor's claim against the hospital for tortious interference with a business expectancy under Arkansas law related to the hospital's request that the doctor no longer serve as an independent contractor at the hospital. The emergency service agreement gave the hospital the right, in its sole discretion, to request the immediate removal of any physician at any time and the independent contractor agreement allowed the company which contracted with the hospital to terminate the agreement if the hospital exercised that right. *Schueller v. Goddard*, 631 F.3d 460 (8th Cir. 2011).

Under Kentucky law, liability for tortious interference with a prospective contractual relation arises when a party improperly interferes with a valid expectancy of another. A plaintiff must show that the defendant's improper interference was the but-for cause of the plaintiff's injury. *Ventas, Inc. v. HCP, Inc.*, 647 F.3d 291 (6th Cir. 2011).

Under Kentucky law as predicted by the Court of Appeals, heightened scrutiny applies to claims between competitors alleging tortious interference with prospective contractual relations. *Ventas, Inc. v. HCP, Inc.*, 647 F.3d 291 (6th Cir. 2011).

For a dealer to succeed with its claim for tortious interference with a prospective business advantage under Kansas law when a trailer manufacturer and the dealer's competitor raised the business-competitor privilege, the dealer was required to show independently actionable conduct to establish that the manufacturer and the competitor used wrongful means in competing with the dealer. *Utility Trailer Sales of Kansas City, Inc. v. MAC Trailer Mfg., Inc.*, 443 Fed. Appx. 337 (10th Cir. 2011).

§ 4 Restraints of trade; Contracts not to compete

Where on sale of corporation to another corporation, the vice-president and operations manager in 1964 executed a consultant agreement with the purchasing corporation containing a provision that whether or not such services are used, that until

1984 he would not engage in a competitive business, the no competition covenant was held to be unreasonable and unenforceable under Florida statute. *Kaye v Orkin Exterminating Co.* (1973, CA5 Fla) 472 F2d 1213.

The defendant, who was unable to obtain his job back after an illness, started his own business of servicing Burroughs check-writers and supplies to customers he previously serviced for Burroughs. The plaintiff, Burroughs Corp., brought an action to enforce a restrictive covenant and for unfair competition in soliciting former customers. The court found that the covenant, which prohibited defendant for one year after leaving Burroughs from engaging in any business competitive with Burroughs in any territory serviced in the last twelve months by defendant, too restrictive and denied relief. It also found no unfair competition in soliciting previous customers as there was no showing of the use of confidential information of customers. Defendant was only using names and addresses of business firms. *Burroughs Corp. v Cimaskasy* (1972, DC Pa) 346 F Supp 1398.

Declaratory judgment upheld a covenant not to compete. The AFA Corporation had been acquired by Thiokol Chemical Corporation. Plaintiff, who was president, and his father were the sole stockholders. In the closing the defendant agreed to hire the plaintiff as president for 5 years at \$50,000 a year and the plaintiff agreed on termination not to act as officer, director, employee and so forth in any organization in any part of the United States, Mexico or Canada, which was engaged in the business of manufacturing and selling liquid spray devices or other products which AFA manufactured. The validity of a covenant not to compete depends upon reasonableness in each case. Such restraints follow the common law. Here the restraint was held to be no broader than necessary to protect the goodwill purchased by Thiokol. The plaintiff failed to establish that the contract was invalid or violated either section 1 or 2 of the Sherman Anti-trust Act. *Alders v AFA Corp. of Florida* (1973, DC Fla) 353 F Supp 654.

Separate "None Compete Agreement," without words of assignability, and no assignment or attempted assignment held not enforceable by subsequent purchaser of original purchaser. *Johnson & Dix, Inc. v Springfield Fuels, Inc.* (1973) 131 Vt 156, 303 A2d 151.

Covenant not to compete executed by employee not to compete with employer after termination of employment for two years in New England and New York was held too broad geographically but reasonable as to time, even though employee at the time of leaving was on a month to month contract. A covenant too broad will be enforced only to the extent that it is reasonable and to the extent that it is severable for the purposes of enforcement. *All Stainless, Inc. v Colby* (1974) 364 Mass 773, 308 NE2d 481.

Agreement not to compete during period of payments made under incentive compensation plan was upheld. The restraint was found reasonable and not in violation of the law of New York. It was held not to violate section 1 of the Sherman Act. *Bradford v New York Times Co.* (1974, CA2 NY) 501 F2d 51.

Officer of corporation was held bound by implied covenant not to compete. Employees occupied confidential relation to employer and there was implied contract that employees would not disclose trade secrets imparted to them or discovered by them. *Re Uniservices, Inc.* (1975, CA7 Ind) 517 F2d 492.

Provision in franchise prohibiting competition within specified area upon termination of franchise was valid under Wisconsin law, which the parties agreed should apply, but under Florida law it was unenforceable although not deemed to be in conflict with the public policy of Florida, warranted injunctive relief for violation thereof. *Wilkinson v Manpower, Inc.* (1976, CA5 Fla) 531 F2d 712.

Employee agreements not to compete are proper subjects for scrutiny under section 1 of the Sherman Act. If the restraints serve no legitimate purpose when adopted they would be per se invalid. If the clause is not overbroad per se, it might still be scrutinized for unreasonableness. *Newburger, Loeb & Co. v Gross* (1977, CA2 NY) 563 F2d 1057, cert den 434 US 1035, 54 L Ed 2d 782, 98 S Ct 769.

Complaint seeking relief against defendant on the basis of a noncompetitive covenant was dismissed. The business involved selling sandwiches and coffee by drivers from trucks. Relief was properly denied as the case did not involve trade secrets, confidential information, or goodwill, which could be harmed. *New England Canteen Service, Inc. v Ashley* (1977, Mass) 1977 Adv Sheets 1186, 363 NE2d 526.

Forfeiture of deferred compensation

where it serves an appropriate interest of the former employer and is otherwise reasonable is enforceable. But such a forfeiture will be enforced like a covenant not to compete only to the extent the restraint is reasonable. *Cheney v Automatic Sprinkler Corp.* (1979, Mass) 1979 Adv Sheets 179, 385 NE2d 961.

Reasonable covenants against competition may be considered to run with the land when they serve a purpose of facilitating orderly and harmonious development for commercial use. *Whitinsville Plaza, Inc. v Kotseas* (1979, Mass) 1979 Adv Sheets 1262, 390 NE2d 243.

A preliminary injunction was issued in favor of employer in case involving employment restrictive covenants against competition. Held that the trial court abused its discretion in issuing preliminary injunction. It applied an erroneous legal premise. Georgia law, which rejected the blue-pencil theory, required that every subparagraph of the covenant be enforceable before the covenant as a whole is found enforceable. Such was not the case here. *Moore v Curtis 1000, Inc.* (1981, CA8 Mo) 640 F2d 920.

Plaintiffs brought an antitrust action seeking injunctive relief and damages on the claim that the defendant's enforcement of a covenant that it employees would not accept employment by a client of the employer for 90 days following completion of assignment without written consent of employer. It was alleged that there was a violation of sections 1 and 2 of the Sherman Act. It was held that the time and area of the restrictive covenant was not unreasonable. The employer was really a middleman to find people for particular work for limited times. The court found that the provisions of the Restatement (2d) of Contracts § 188 were applicable and that the covenant met the standards. Further there was no per se violation of the Sherman Act, nor was a violation of the Rule of Reason. *Consultants & Designers, Inc. v Butler Service Group, Inc.* (1983, CA11 Ala) 720 F2d 1553.

Ten years after employment, employer sought to enforce termination agreements against former employees. Agreements were for indefinite periods of time and could result in confiscation of all new inventions made by the employees for which employer might have an interest—including contemplated interest. The agreement was overbroad and restrictive. *Federal Screw Works v Interface Systems, Inc.* (1983, ED Mich) 569 F Supp 1562.

Covenants not to compete generally do not violate the antitrust laws. When the good will of a business is sold along with its other assets, such a covenant, if reasonably limited in time and geography, is necessary to protect the legitimate interest of the buyer. Such covenants alone cannot be used to bootstrap fraud and contract claims into an antitrust suit. *McDonald v Johnson & Johnson* (1983, CA8 Minn) 722 F2d 1370, later proceeding (CA8) 722 F2d 1390.

On choice of law in action to enforce employee's covenant not to compete, see *Dresser Industries, Inc. v Sandvick* (1984, CA10 Colo) 732 F2d 783.

It was held that under New York law, an implied covenant by a purchaser of the goodwill of a business against solicitation of former customers is neither limited by time nor subject to the test of reasonableness. The concept of perpetual, unlimited restraint was not applicable to one not a vendor. An employer-employee covenant will be enforced only if it is reasonable necessary to protect the employer's reasonable interest and not unreasonable burdensome to the employee. *Chevron U.S.A., Inc. v Roxen Service, Inc.* (1987, CA2 NY) 813 F2d 26.

The plaintiff, NBA, sought a declaratory judgment that it could restrain the movement of the removal of its franchise, the Los Angeles Clippers (nee San Diego Clippers), and impose a charge on them for usurpation of the franchise opportunity in Los Angeles. Dismissed on motion for summary judgment. On appeal reversed and remanded. As NBA had a real and reasonable apprehension of antitrust liability, the case was held to be justiciable. Furthermore, the rule of reason analysis governs a professional sports league efforts to restrict franchise movement. Issues of material fact existed which warranted trial. *National Basketball Asso. v SDC Basketball Club, Inc.* (1987, CA9 Cal) 815 F2d 562.

In business buy out a covenant not to compete in international markets contained territorial restrictions. Non-competitive agreements were held not to fall in within per se violations of antitrust laws. *Verson Wilkins, Ltd. v Allied Products Corp.* (1989, ND Ill) 723 F Supp 1, 1989-2 CCH Trade Cases ¶ 68858, reconsideration den (ND Ill) 1990 US Dist LEXIS 160, later proceeding (ND Ill) 1990 US Dist LEXIS 10526.

Although the franchise agreement provided that Pennsylvania law would govern the interpretation of the contract, California choice of law principles governed. In

this case strong California public policy, as represented in a California statute, controlled. The statute provided that every contract containing a covenant restraining any person from engaging in a law business was to that extent void, including franchise agreements. Customer lists at issue in the case did not constitute trade secrets as a matter of law. *Scott v Snelling & Snelling, Inc.* (1990, ND Cal) 732 F Supp 1034, 1990-1 CCH Trade Cases ¶ 69007.

Plaintiff, an athlete who lost his eligibility to participate in collegiate sports, claimed the National Collegiate Athletic Association's rules withdrawing eligibility when an athlete enters a professional draft or engages an agent to help him secure a position with a professional team constituted an illegal restraint of trade. The court found no violation of the Sherman Act where the plaintiff failed to allege anticompetitive effects on a discernible market. *Banks v National Collegiate Athletic Association* (1992, CA7 Ind) 977 F2d 1081.

Plaintiff, Perceptron, Inc., purchased certain assets of Diffracto Ltd., which owned forty percent of defendant, Sensor Adaptive Machines, Inc. As part of the purchase agreement, plaintiff entered into a non-compete agreement with defendant in July 1990. The non-compete agreement provided that defendant must not compete with plaintiff in the business of "designing, developing, manufacturing, selling, and servicing electro-optical measuring products" used to gage automobile assemblies for sixty months from the date of the agreement without the plaintiff's prior consent. However, before the non-compete agreement's expiration in July 1995, defendant began its development of the SmartPox system in April 1993; the SmartPox system was designed for installation in the assembly process and was marketed as an alternative end-line sensor system to those sold by plaintiff. In response to defendant's violation of the non-compete agreement, plaintiff wrote its customers concerning the non-compete agreement between plaintiff and defendant. Plaintiff filed suit against defendant, alleging that defendant had breached the non-compete agreement through the development and sale of the SmartPox system. Defendant counter-claimed, alleging that the non-compete agreement violated antitrust laws and that plaintiff had tortiously interfered with the business relationships between its customers and prospective customers concerning the SmartPox system when plaintiff wrote

to its customers. At trial, the jury found that plaintiff was entitled to proximate and foreseeable damages as a result of defendant's breach, and awarded plaintiff a lump sum on its claim against defendant. The jury also found that defendant failed to prove that the non-compete agreement violated antitrust laws as an unreasonable restraint on trade or that plaintiff tortiously interfered with defendant's business relationships. Plaintiff entered post-trial motions for prejudgment interest and for an equitable extension of the non-compete agreement. Defendant entered a motion for judgment as a matter of law or for a new trial, arguing that the evidence submitted at trial was insufficient to conclude that the non-compete agreement was a reasonable restraint on trade. The district court denied defendant's motion, denied plaintiff's request for an equitable extension of the non-compete agreement, and granted plaintiff's request for prejudgment interest. The Sixth Circuit affirmed the district court's decisions, but reversed with respect to the calculation of the prejudgment interest. In this case, the non-compete agreement is valid if it is ancillary to the main purpose of the contract, necessary to protect plaintiff's interest, and a reasonable restraint on trade. The Sixth Circuit found that plaintiff provided sufficient evidence to show that the non-compete agreement was necessary to protect the value of plaintiff's purchase (of certain Diffracto assets) and a reasonable restraint on trade. Moreover, reasonable minds could differ with respect to defendant's allegations about the necessity of the non-compete agreement, the transfer of Diffracto's goodwill, and the duration of the non-compete agreement. Therefore, the Sixth Circuit affirmed the denial of defendant's motion for judgment as a matter of law with respect to the antitrust claims. In addition, the Sixth Circuit affirmed the denial of defendant's request for a new trial based on its tortious interference claim because plaintiff did not "illegally, unethically, or fraudulently" interfere with defendant's business relationships when plaintiff wrote its customers about the non-compete agreement; plaintiff merely assured its customers that it would continue to service them under the non-compete agreement. The Sixth Circuit affirmed the denial of plaintiff's request for an equitable extension of the non-compete agreement because plaintiff failed to show any irreparable injury arising from defendant's development and sale of its SmartPox system

before the expiration of the non-compete agreement. Moreover, the Sixth Circuit found no abuse of discretion by the district court with respect to its findings of no irreparable injury. Finally, the Sixth Circuit affirmed plaintiff's request for prejudgment interest, but reversed and remanded only with respect to the calculation of plaintiff's prejudgment interest. The court held that prejudgment interest must be calculated on the entire judgment from the date the complaint was filed. *Perceptron, Inc. v. Sensor Adaptive Machines, Inc.* (2000, CA6 Mich) 221 F3d 913.

The former employees of a financial services company used trade secrets of the company in violation of the noncompete and trade secret provisions of their employment contracts, as required under Pennsylvania law to demonstrate misappropriation of trade secrets, where the employees completed lists, including mental lists, of customers who would be targeted for transfer following the employees' departure from the company, and personally contacted at least some of these customers to invite them to move their money to a new financial firm, and some of the customers did so. *Latuszewski v. VALIC Financial Advisors, Inc.*, 393 Fed. Appx. 962 (3d Cir. 2010).

The "Mohawk doctrine" recognizes as part of the common law of New York a so-called implied covenant by a seller to refrain from soliciting former customers following the sale of the goodwill of a business. This implied covenant precludes the seller from approaching his or her former customers and attempting to regain their patronage after he or she has purported to transfer their goodwill to the purchaser. The right acquired by the purchaser of the goodwill of a business by virtue of the implied covenant for the seller to refrain from soliciting former customers is a permanent one and is not subject to divestiture upon the passage of a reasonable period of time, since there is a continuing duty upon the seller imposed by law in order to prevent the seller from taking back that which he or she has purported to sell. However, the duty of the seller of goodwill not to solicit former customers does not include an obligation not to accept such of his or her former customers as may choose to follow him or her to his or her new employment. So long as the client's decision to follow the seller of a business's goodwill did not come about through improper solicitation, the implied covenant to refrain from soliciting former customers is

not violated, and the lost account should not be considered in ascertaining the buyer's damages. *Bessemer Trust Co., N.A. v. Branin*, 618 F.3d 76, 160 Lab. Cas. (CCH) P 61053 (2d Cir. 2010), certified question accepted, 15 N.Y.3d 836, 909 N.Y.S.2d 10, 935 N.E.2d 802 (2010) and certified question answered, 2011 WL 1583932 (N.Y. 2011).

A national certified public accounting (CPA) firm filed a diversity action against former employees and shareholders to enforce restrictive covenants contained in contractual agreements between them. The interests of the public had not been implicated, and thus antitrust law did not apply, by enforcing the obligations of departing employee shareholders under Missouri law to the CPA firm under a noncompetition agreement to not solicit clients of the firm after their departure, even as to clients that the departing employee shareholders had brought to the firm. *Mayer Hoffman McCann, P.C. v. Barton*, 614 F.3d 893, 110 I.E.R. Cas. (BNA) 26 (8th Cir. 2010).

Under Virginia law, a noncompete covenant in an employment contract is enforced if it is narrowly drawn to protect the employer's legitimate business interest, is not unduly burdensome on the employee's ability to earn a living, and is not against public policy. *BP Products North America, Inc. v. Stanley*, 2012 WL 453231 (4th Cir. 2012).

A race car simulator manufacturer's officer was personally bound by noncompetition agreement with investment firm and its corporation, in relation to the firm's and the corporation's purchase of simulators. The first sentence of the agreement identified the parties and provided that the contract bound the officer without making any reference to any official capacity, the signature block at the end of the contract was signed by the officer with no title attached to his signature, and the manufacturer simultaneously executed a separate management agreement that functioned as a corporate noncompete agreement. *Interactive Motorsports and Entertainment Corp. v. Dolphin Direct Equity Partners, LP*, 419 Fed. Appx. 60 (2d Cir. 2011).

§ 5 Restraints of trade; Contracts not to compete—Vertical restraints

Subsequent to the consent decree in *Sealy* it no longer had licensee stockholders or representatives on its board. In any event the present litigation involved the defendant and its wholly owned Canadian

subsidiary, which owned the Canadian trademarks. It was held that the arrangement was vertical or unilateral, and that the consent decree between Sealy Inc. and the United States did not require the defendant to license any of its trademarks to the plaintiff or defendant's other licensees. *Sealy Mattress Co. v Sealy, Inc.* (1986, CA7 Ill) 789 F2d 582.

Television programmer's lack of market power in the affected relevant market defeated non-price vertical restraints claim by cable television service. *TV Communications Network, Inc. v Turner Network Television* (1992, CA10 Colo) 964 F2d 1022.

Vertical restraints that do not deal specifically with price fixing are not per se illegal. Manufacturer's decision to sell its product only through authorized distributors did not violate the antitrust laws. *Matrix Essentials v Emporium Drug Mart* (1993, CA5 LA) 988 F2d 587.

Orson, Inc. v Miramax Film Corp. (1996, CA3 Pa) 79 F3d 1358, discussed in detail in § 87.

§ 6 Restraints of trade; Contracts not to compete—Horizontal agreements among competitors

Protection may be warranted against unjustified interference with reasonable expectations of commercial relations even where an existing contract is lacking. *Super-Turf, Inc. v Monsanto Co.* (1981, CA8 Mo) 660 F2d 1275.

A manufacturer of race car simulators breached asset purchase, noncompetition, and management agreements with an investment firm and corporation in which the firm was the sole shareholder when they leased and sold different simulators while the simulators purchased by the firm and its corporation were idle, contrary to the straightforward contract terms. *Interactive Motorsports and Entertainment Corp. v. Dolphin Direct Equity Partners, LP*, 419 Fed. Appx. 60 (2d Cir. 2011).

§ 7 Restraints of trade; Contracts not to compete—Effect of invalidity

How information is obtained, is a factor, which may be considered in an unfair competition claim. *Sims v Mack Truck Corp.* (1979, CA3 Pa) 608 F2d 87, cert den (US) 63 L Ed 2d 764, 100 S Ct 1319 and on remand (ED Pa) 488 F Supp 592.

§ 9 The common law of trademarks and trade names; Generally

Contempt found for violation of decree entered in trademark infringement and unfair competition case involving plaintiff's trademark "Sunfish." *AMF, Inc. v International Fiberglass Co.* (1972, CA1 Mass) 469 F2d 1063.

Enforcement of a trademark may be denied to one who has used that trademark in violation of the anti-trust laws. *Union Carbide Corp. v Ever-Ready, Inc.* (1976, CA7 Ill) 531 F2d 366.

Where an infringing party has previously sold his business, including use of his name and its goodwill, and thereafter attempts to arrogate to himself the trade reputation for which he received valuable consideration, broad remedies may be granted to restore the plaintiff the value of his purchase. Equity may devise a remedy exceeding terms of the contract if necessary to make the injured party whole. *Levitt Corp. v Levitt* (1979, CA2 NY) 593 F2d 463.

Under the provisions of a Texas Act the practice of optometry within the state under a trade name was prohibited. Held constitutional as the state's interest in protecting the public from the deceptive and misleading use of optometrical trade names was substantial and well demonstrated. *Friedman v Rogers* (1979, US) 59 L Ed 2d 100, 99 S Ct 887, reh den (US) 60 L Ed 2d 389, 99 S Ct 2018 and reh den (US) 60 L Ed 2d 389, 99 S Ct 2018.

There was no likelihood of confusion in use of trademark "Domino Pizza" with respect to "Domino" for sugar. Common law unfair competition turns also on likelihood of confusion. *Amstar Corp. v Domino's Pizza, Inc.* (1980, CA5 Ga) 615 F2d 252, reh den (CA5 Ga) 617 F2d 295.

Doctrine of the "zone of natural business expansion" did not apply where the first user failed to register the mark and the second party, innocent of any knowledge of a first use, adopted a name new to the area. *Raxton Corp. v Anania Associates, Inc.* (1980, CA1 Mass) 635 F2d 924.

On change of banks names and the National Bank Act (12 U.S.C.A. § 30) see *North Dakota v Merchants Nat. Bank & Trust Co.* (1980, CA8 ND) 634 F2d 368, 209 USPQ 796.

When a generic term is used generically without any other descriptive or identifying words, it cannot acquire either a common law trade name protection or exclusive

use protection through secondary meaning. *S.S. Kresge Co. v United Factory Outlet, Inc.* (1980, CA1 Mass) 634 F2d 1, 208 USPQ 313.

Liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. The case involved marketing of drugs and intentionally copying the appearance of the drug, with the district court making favorable findings for petitioners. The Court of Appeals reversed. Basically the Supreme Court held that the Court of Appeals did not follow the “clearly erroneous” standard. *Inwood Laboratories, Inc. v Ives Laboratories, Inc.* (1982, US) 72 L Ed 2d 606, 102 S Ct 2182, 214 USPQ 1.

The district court’s finding that the plaintiff’s trade name had not acquired a secondary meaning was erroneous. On remand the plaintiff must prove the likelihood of confusion. *American Scientific Chemical, Inc. v American Hospital Supply Corp.* (1982, CA9 Or) 690 F2d 791, 216 USPQ 1080.

The University of Notre Dame opposed registration of the trademark NOTRE DAME and design for cheese. Held that the mark was not precluded from registration. The fame of the University was insufficient in itself to establish likelihood of confusion and the record was devoid of evidence on which to base a finding of likelihood of confusion. *University of Notre Dame Du Lac v J. C. Gourmet Food Imports Co.* (1983, CA FC) 703 F2d 1372, 217 USPQ 505.

Summary judgment was improperly granted in trademark and copyright infringement case as there were factual matters in dispute—one of which was the likelihood of confusion on the use of “Batcave” for its stores. The plaintiff alleged that this infringed its registered trademark for “Batman” and a common law trademark in “Batcave.” *DC Comics Inc. v Reel Fantasy, Inc.* (1982, CA2 NY) 696 F2d 24, 217 USPQ 307.

Under the Lanham Act, which provides national protection a federally registered mark may become incontestable. “Marks that constitute a common descriptive name are referred to as generic. A generic term is one that refers to the genus of which the particular product is a species. . . . Generic terms are not registrable, and a registered mark may be cancelled at any time on grounds that it has become generic. See §§ 2, 14(c), 15 U.S.C.A. § 1052, 1064(c). A ‘merely descriptive’ mark in contrast,

describes the qualities or characteristics of a good or service, and this type of mark may be registered only if the registrant shows that it has acquired secondary meaning, i.e., it ‘has become distinctive of the applicant’s goods in commerce. §§ 2(e), (f), 15 U.S.C.A. §§ 1052(e)(f)’. The Supreme Court also stated with respect to the anti-trust laws: “Finally, if ‘monopolization’ of an incontestable mark threatens economic competition, § 33(b)(7), 15 U.S.C.A. § 115(b)(7), provides a defense on the grounds that the mark is being used to violate federal antitrust laws.” The holder of a registered trade mark may rely on incontestability to enjoin infringement and such an action may not be defended on the grounds that the mark is merely descriptive. One Justice dissented. *Park ‘N Fly, Inc. v Dollar Park & Fly, Inc.* (1985, US) 83 L Ed 2d 582, 105 S Ct 658, 661, 665.

The defendant’s use of the phrase, “World’s Strongest Man,” was not an infringement. The user of such a phrase may not prevent others using it so long as the others sufficiently distinguish their product or service so that a reasonably intelligent and careful person would not be misled. There was no palming off, which is an attempt by one person to induce customers to believe that his products are actually those of another. *Kazmaier v Wooten* (1985, CA1 Mass) 761 F2d 46.

Word “Beetle” was entitled to trademark protection under the secondary meaning doctrine. There was likelihood of confusion with Volkswagen products. *Volkswagenwerk Aktiengesellschaft v Wheeler* (1987, CA1 Mass) 814 F2d 812.

K Mart Corp. v Cartier, Inc. (1988, US) 99 L Ed 2d 151, 108 S Ct 950, later proceeding (US) 99 L Ed 2d 287, 5 USPQ2d 1913, involved the issues whether a federal district court had jurisdiction to hear a challenge to the Secretary of the Treasury’s regulation permitting the importation of certain gray-market goods, and, if so, whether the regulation was a reasonable agency interpretation of section 526 of the Tariff Act of 1930 (19 U.S.C.A. § 1526). The court defined a gray market good as follows: “A ‘gray market good’ is a foreign-manufactured good bearing a valid United States trademark, which is imported without the consent of the U.S. trademark owner”. The Court held that the district court had jurisdiction, and restored the cases to the calendar for reargument on the merits. Section 526 does not impose an embargo. It is like a contractual importa-

tion prohibition which is very different from an embargo. It does not set a governmentally determined quantitative limit on the entry of a product. Congress did not intend to extend the term "Embargo" beyond its ordinary meaning to encompass a provision that merely grants particular trademark owners a private property right to exclude intrabrand competition from abroad. Enforcement is by the owner not the government.

§ 10 The origin of trademark protection

Civil contempt for violation of injunction prohibiting infringement of trademark. *Franklin Mint Corp. v Franklin Mint, Ltd.* (1973, DC Pa) 360 F Supp 478.

In general see, *McCarthy, Trademarks and Unfair Competition.*

Common law and statutory trademark infringements are "merely specific aspects of unfair competition." *New West Corp. v NYM Co. of California, Inc.* (1979, CA9 Cal) 595 F2d 1194.

Petition to cancel appellant's registration of the mark FANCY FIXIN'S for cat food was granted on the ground of abandonment due to nonuse. Nonuse for two consecutive years is sufficient to establish a prima facie case of abandonment. *Lipton Industries, Inc. v Ralston Purina Co.* (1982, Cust & Pat App) 670 F2d 1024, 213 USPQ 185.

The defendant in a trademark infringement action based its antitrust counterclaim on the wide disparity in price between the price in the United States and abroad of Coleco's Cabbage Patch Kids Dolls. It was held that the counterclaim was properly dismissed as there was no antitrust injury which gave the defendant standing on its claim. Furthermore there was no evidence that the trademark infringement suit was brought in bad faith to harass, or in any way such that it would not be immune from antitrust strictures under *Noerr-Pennington*. *Original Appalachian Artworks, Inc. v Granada Electronics, Inc.* (1987, CA2 NY) 816 F2d 68.

§ 11 Function of trademarks and trade names

Dilution was not applicable as the marks themselves were held not confusing. *Holiday Inns, Inc. v Holiday Out in America* (1973, CA5 Fla) 481 F2d 445.

The National Hockey League and thirteen member teams brought an action to

enjoin the defendant from making and selling embroidered cloth emblems embodying plaintiffs' registered (team symbols) service marks as an infringement and as common law unfair competition. It was held that there was infringement and unfair competition. The fact that the symbol covered the entire work of the defendant did not alter the fact that the trademark symbol was used in connection with the sale of the product. Further, the amendment in 1962 deleted the requirement that confusion or deception must relate to the source of origin. The confusion or deceit requirement was met by the fact that the defendant knew that the public would identify them as the teams' trademarks. *Boston Professional Hockey Asso. v Dallas Cap & Emblem Mfg., Inc.* (1972, CA5 Tex) 510 F2d 1004.

Proof of actual confusion is not necessary. Likelihood of confusion is sufficient but, said the court, proof of actual confusion is the best evidence of likelihood of confusion. A small amount of proof of actual confusion may be sufficient. *Roto-Rooter Corp. v O'Neal* (1975, CA5 Tex) 513 F2d 44.

"Sign of the Beefeater" used by restaurants with face of a fat hungry man in three-cornered hat gave rise to likelihood of confusion with "Beefeater". *James Burrough, Ltd. v Sign of Beefeater, Inc.* (1976, CA7 Ill) 540 F2d 266.

Purpose of trademark protection is to protect the public from confusion, not merely to protect plaintiff from confusion of its customers. Registration of a trademark does not create a legal monopoly and in that respect, differs from a patent or copyright. *AMP, Inc. v Foy* (1976, CA4 NC) 540 F2d 1181.

In a case involving the "Monopoly" trademark, it was held that the genericness doctrine states that when a trademark primarily denotes a product, not the product's producer, the trademark is lost. It is the source-denoting function which trademark laws protect, and nothing more. The case was remanded to the district court for further consideration. *Anti-Monopoly Inc. v General Mills Fun Group* (1979, CA9 Cal) 611 F2d 296.

Plaintiff was entitled to a preliminary injunction. There would seem a special likelihood of confusion where there is a recognizable mutuality of potential customers. *Chart House, Inc. v Bornstein* (1980, CA1 Mass) 636 F2d 9.

While the trial court found a likelihood of confusion between service marks of Sun

Banks of Florida, Inc. and Sun Federal Savings and Loan Association, the Court of Appeals reversed and held that there was no likelihood of confusion and under such circumstances there could be no trademark infringement. *Sun Banks of Florida, Inc. v Sun Federal Sav. & Loan Asso.* (1981, CA5 Fla) 651 F2d 311, 211 USPQ 844, reh den (CA5 Fla) 659 F2d 1079.

The district court enjoined the defendant from using "107" alone or the combination "107FM" or "FM107." Reversed. The plaintiff failed to establish a public perception of the term which would entitle it to exclude other radio stations in the 107 neighborhood from using the number. The plaintiff did not meet the burden of demonstrating secondary meaning. *Walt-West Enterprises, Inc. v Gannett Co.* (1982, CA7 Ill) 695 F2d 1050, 217 USPQ 1206.

A trademark of itself is not deemed persuasive evidence of economic power. A trademark protects only the name or symbol of the product. Market power is derived from the product and not from the name or symbol. *Mozart Co. v Mercedes-Benz of North America, Inc.* (1987, CA9 Cal) 833 F2d 1342, 1987-2 CCH Trade Cases ¶ 67789.

The registration of a trademark as "incontestable" is conclusive evidence of the registrant's ownership of the trademark and exclusive right to use the mark, subject to the Lanham Act's specifically enumerated defenses. The district court erred in submitting the question of ownership of an incontestable trademark to the jury. The court should have instructed the jury that the plaintiff had incontestable ownership of the trademark unless the jury found that the defendant had proven one of the statutorily enumerated affirmative defenses. *Dakota Industries, Inc. v Ever Best Ltd.* (1994, CA8 SD) 28 F3d 910.

"Reverse confusion" occurs when a larger, more powerful company uses the trademark of a smaller, less powerful senior user and causes the likelihood of confusion among consumers as to the source of the senior user's products. The Third Circuit, for the first time, adopted the theory of reverse confusion to overturn a finding for the defendant in a trademark infringement case where the district court had found there was little likelihood of confusion. Because the plaintiff's mark was registered and incontestable, the plaintiff had only to show likelihood of confusion to be entitled to relief. On appeal the plaintiff contended that the district court misapplied the rele-

vant law regarding likelihood of confusion and should have applied the law of reverse confusion, already adopted in a number of circuits. The Third Circuit agreed, noting: "Without the recognition of reverse confusion, smaller senior users would have little protection against larger, more powerful companies who want to use identical or confusingly similar trademarks." *Fisons Horticulture, Inc. v Vigoro Industries, Inc.* (1994, CA3 Del) 30 F3d 466.

§ 12 Trademarks and trade names; Defined and distinguished

Agreement held to preclude assertion of defense that trademark was merely descriptive. *Beer Nuts, Inc. v King Nut Co.* (1973, CA6 Ohio) 477 F2d 326.

Words primarily descriptive of qualities, ingredients, or characteristics of article to which attached cannot be claimed as trademark. *Robert Bruce, Inc. v Sears, Roebuck & Co.* (1972, DC Pa) 343 F Supp 1333.

Evidence established secondary meaning of terms "anti-defamation" or "anti-defamation league." Dissent indicated lack of confusion. *Anti-Defamation League of B'Nai B'Rith v National Mexican American Anti-Defamation Committee, Inc.* (1975, App DC) 510 F2d 1246.

Secondary meaning may be established by showing "primary significance." As long as a significant quantity of the consuming public understand a name as referring exclusively to the appropriate party, secondary meaning exists. Factors to consider are: long and exclusive use; size or prominence; success; understanding of public. *President & Trustees of Colby College v Colby College-New Hampshire* (1975, CA1 NH) 508 F2d 804.

Functional feature of thermostat device was not subject to registration. Registration would be inconsistent with the protection given under statute and the common law to copy functional features of a device. *Application of Honeywell, Inc.* (1976, Cust & Pat App) 532 F2d 180.

Appeals court upheld finding that there was sufficient quality control to sustain the trademark license. *Edwin K. Williams & Co. v Edwin K. Williams & Co.-East* (1976, CA9 Cal) 542 F2d 1053.

Defendant had copied the exterior design of a twin hopper bottomed grain semi-trailer, the "Cornhusker 800". The district court found that portions of the design were

nonfunctional; that the unique design had acquired a secondary meaning in the market place; and that the actions of the defendant tended to cause confusion over the origin of the trailers. The defendant had copied the trailer among other acts and relied on the *Sears and Compco cases* (376 US 225, 234). Affirmed. Held that Sears and Compco did not involve the issues of functionality and secondary meaning, and that the “protection accorded by the law of trademark and unfair competition is greater than that accorded by the law of patents because each is directed at a different purpose . . .” Defendant’s contention that it was privileged to copy the exterior design was held invalid. *Truck Equipment Service Co. v Fruehauf Corp.* (1976, CA8 Neb) 536 F2d 1210, cert den 429 US 861, 50 L Ed 2d 139, 97 S Ct 164.

A general term refers to the genus of which the particular product is a species, and no matter how heavily it is promoted and whatever success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name. *Abercrombie & Fitch Co. v Hunting World, Inc.* (1976, CA2 NY) 537 F2d 4.

The fact that the 71B series designations are numbers descriptive of size does not prevent them from becoming trademarks if they have acquired secondary meaning. *Ideal Industries, Inc. v Gardner Bender, Inc.* (1979, CA7 Wis) 612 F2d 1018, cert den 447 US 924, 65 L Ed 2d 1116, 100 S Ct 3016.

Profits and damages were trebled for flagrant disregard of the rights of the plaintiff. There was full knowledge of the proprietary nature of the mark and a misuse. *Holiday Inns, Inc. v Airport Holiday Corp.* (1980, ND Tex) 493 F Supp 1025.

The lower court erred in granting injunctive relief on the plaintiffs’ claim of unfair competition having determined that the plaintiffs had a legally protected right in the names “Multistate Bar Examination” and “MBE.” The phrase describes a test. The name has a common descriptive quality. It indicates the type of service merchandised and not any particular merchandiser. The trade name is not protected. Abbreviations for generic or common descriptive are treated similarly. *National Conference of Bar Examiners v Multistate Legal Studies, Inc.* (1982, CA7 Ill) 692 F2d 478, 216 USPQ 279, cert den 464 US 814, 78 L Ed 2d 83, 104 S Ct 69.

Congress reasonably could conclude that

the United States Olympic Committee (USOC) had distinguished the word “Olympic”, through its own efforts and therefore Congress’ decision to grant the USOC a limited property right in the word “Olympic,” fell within the scope of trademark law protections. The USOC was not required to prove that an unauthorized use of the word was likely to cause confusion. Section 110 of the Amateur Sports Act, 92 Stat. 3048, 36 U.S.C.A. § 380 granted the USOC the right to prohibit certain commercial and promotional uses of the word “Olympic.” *San Francisco Arts & Athletics, Inc. v United States Olympic Committee* (1987) 483 US 522, 97 L Ed 2d 427, 107 S Ct 2971.

Trademark Law Revision Act: Pub. L 100-667, Title I, §§ 105 et seq. Nov. 16, 1988, 102 Stat. 3938 et seq. 15 U.S.C.A. §§ 1053 et seq. Effective one year after Nov. 16, 1988.

The district court denied an injunction against Channel 5 (WCVB-TV) from televising the Boston Marathon. Although The Athletic Association had a service or trade mark, there was no likelihood of customer confusion. *WCVB-TV v Boston Athletic Assn.* (1991, CA1 Mass) 926 F2d 42, 18 Media L R 1710, 17 USPQ2d 1688.

Clorox, user of the trademark, “Pine-Sol” brought an antitrust claim against a major competitor, user of the trademark, “Lysol,” alleging that an agreement entered into by a Clorox predecessor in interest and the prior owner of Lysol unlawfully restricted competition. The agreement, which specified the ways in which Pine-Sol products could be advertised and packaged, was entered into for the purpose of ensuring that the public would not confuse the two products. Clorox argued that the likelihood of confusion was no longer a problem, and therefore the agreement served no valid purpose. The Court of Appeals, using the rule of reason analysis analyzed the restraint argument and found that the agreement’s effects were not sufficiently adverse because Clorox could still compete with the Lysol manufacturers if Clorox used names other than Pine-sol. The anti-monopoly claim was also rejected because while the restrictions may have encumbered the plaintiff, the agreement did not bar Clorox or other competitors from competing in the market. The court reasoned, “The anti-trust laws do not guarantee competitors the right to compete free of encumbrances, however, so long as competition as a whole is not significantly effected.” As a result, the Court of Appeals affirmed the district

court's decision in favor of the Lysol. Clorox Co. v Sterling Winthrop, Inc. (1997, CA2 NY) 117 F3d 50.

Valley Products Co. v Landmark (1997, CA6 Tenn) 128 F3d 398, discussed in detail in § 196.

In those instances where a mark has not been federally registered or has not achieved incontestability, the mark will have the secondary meaning as required for the mark to be valid if it is interpreted by the consuming public to represent the origin of those products or services. Commerce National Ins. Services, Inc. v Commerce Insurance Agency (2000, 3d Cir. N.J.) 214 F3d 432.

§ 13 The acquisition of trademarks; Essential elements

Abandoned trademark held "fair game for any merchant or manufacturer who seeks to use it." If used by others there must be appropriate differentiation. P. Daussa Corp. v Sutton Cosmetics (P.R.), Inc. (1972, CA2 NY) 462 F2d 134.

Defendant's prior use in good faith prior to plaintiff's registration of trademark "Old Dutch," was held sufficient to permit concurrent registration limited to use within six state area. Old Dutch Foods, Inc. v Dan Dee Pretzel & Potato Chip Co. (1973, CA6 Ohio) 477 F2d 150.

Defendants failed to show continuing use of mark allegedly obtained under state common law, therefore infringed plaintiff's registered trademark. Casual Corner Associates, Inc. v Casual Stores of Nevada, Inc. (1974, CA9 Cal) 493 F2d 709.

American Heritage Life Ins. Co. v Heritage Life Ins. Co. (1974, CA5 Tex) 494 F2d 3.

Presumption of abandonment of trademark through non-use was rebutted as non-use was for valid business reasons and other evidence of intent not to abandon. Miller Brewing Co. v Oland's Breweries Ltd. (1976, Cust & Pat App) 548 F2d 349.

While jewelry designs as such are not registrable, appellant was not merely attempting to register a jewelry design as a trademark; it sought to register its established mark as a jewelry design. The mark had already been used on and registered for other goods. The requirements for registration under Lanham have been met. Application of Penthouse International, Ltd. (1977, Cust & Pat App) 565 F2d 679.

Under 15 U.S.C.A. § 1065 "if a party has

acquired common-law trademark rights continuing since before the publication of the federal registration, then to that extent the registration will not be incontestable." Wrist-Rocket Mfg. Co. v Saunders Archery Co. (1978, CA8 Neb) 578 F2d 727.

Trademark Law Revision Act: Pub. L 100-667, Title I, §§ 105 et seq. Nov. 16, 1988, 102 Stat. 3938 et seq. 15 U.S.C.A. §§ 1053 et seq. Effective one year after Nov. 16, 1988.

§ 14 Common law; Introduction

Trademark Law Revision Act: Pub. L 100-667, Title I, §§ 105 et seq. Nov. 16, 1988, 102 Stat. 3938 et seq. 15 U.S.C.A. §§ 1053 et seq. Effective one year after Nov. 16, 1988.

Columbia River People's Utility District v Portland General Electric Co. (2000, CA9 Ore) 217 F3d 1187, discussed in detail in § 33.

§ 16 State action on monopolies

California Guidelines for the Insurance Industry, see BNA, 58 Antitrust & Trade Regulation Report No. 1463, p. 3 et seq.

A finding that the conduct of a corporation engaged in running a social networking website was not an antitrust violation, under the Sherman Act, precluded a finding of unfair competition under California law. LiveUniverse, Inc. v MySpace, Inc., 304 Fed. Appx. 554, 2008-2 Trade Cas. (CCH) ¶ 76445 (9th Cir. 2008).

§ 17 Unfair trade practices; Introduction

False descriptions or representations of articles in commerce (15 U.S.C.A. § 1125(a)) held applicable to sale of watches with serial numbers drilled out and with purported guarantee of watch company. Party having exclusive right to sell watches in country entitled to relief against unfair competition. Norman M. Morris Corp. v Weinstein (1972, CA5 Fla) 466 F2d 137.

Unfair competition for defendant to utilize pictures of plaintiff's product in connection with advertising material emanating from defendant. American Precast Corp. v Maurice Concrete Products, Inc. (1973, DC Mass) 360 F Supp 859.

It was held that the Federal Trade Commission did not give competitors the right to sue for unfair advertising and the Lanham Act did not give anyone the right to sue for acts constituting deceptive trade practices which did not constitute unfair

advertising. *Alfred Dunhill, Ltd. v Interstate Cigar Co.* (1974, CA2 NY) 499 F2d 232.

Massachusetts statute making illegal unfair or deceptive acts or practices provides that interpretations of section 5(a)(1) of the Federal Trade Commission Act be a guide. In an action against a newspaper who refused to accept plaintiff's advertisements, the court found for the defendant holding that examination of the federal acts and their interpretation warranted the conclusion that without showing a monopolistic purpose or concerted effort to hinder free trade, the refusal was not an unfair practice under the Massachusetts statute. The refusal to sell without more does not constitute an unfair trade practice. *PMP Associates, Inc. v Globe Newspaper Co.* (1975, Mass) 1975 Adv Sheets 11, 321 NE2d 915.

Complaint alleging that counselor at academy elicited intimate information from parents re marital relationship did not state cause of action under provisions of consumer protection law proscribing unfair or deceptive acts or practices. *Kantrovitz v Academy of Physical & Social Development Corp.* (1976, Mass) 1976 Adv Sheets 1207, 346 NE2d 910.

Held that gravamen of unfair competition is passing off of one's own goods or services as those of another amounting to fraud under state law of Louisiana. Consumers in Baton Rouge would not identify the restaurant there with the Friday's organization. The law of unfair competition extends only to practices which induce confusion and deception. *T. G. I. Friday's Inc. v International Restaurant Group, Inc.* (1978, CA5 La) 569 F2d 895.

Where there was marked similarity of product name, packaging, writing, size, color and shape of pills manufactured by parties, there was a sufficient showing of infringement and unfair competition for purposes of granting plaintiff's motion for a preliminary injunction. *Menley & James Laboratories, Ltd. v Approved Pharmaceutical Corp.* (1977, DC NY) 438 F Supp 1061.

Traditionally unfair competition was limited to "passing off" of goods as those of another. Contemporary law may include misappropriation of the skill, expenditures and labor of another. *Ideal Toy Corp. v Kenner Products Div. of General Mills Fun Group, Inc.* (1977, DC NY) 443 F Supp 291.

Practice of defendants in selling the salon products to the consumer under the name of Miss Clairrol without accompany-

ing instructions or precautions constituted an act of unfair competition entitling Clairrol to injunctive relief in the absence of other appropriate relief or countervailing equitable consideration. *Clairrol, Inc. v Boston Discount Center, Inc.* (1979, CA6 Mich) 608 F2d 1114.

Reverse confusion, wherein the infringer's use of plaintiff's mark results in confusion as to the origin of plaintiff's product, was held to be a recognized doctrine within the scope of unfair competition. *Capital Films Corp. v Charles Fries Productions, Inc.* (1980, CA5 Tex) 628 F2d 387, 208 USPQ 249.

District Court in diversity action should have considered state Unfair Trade Practices Act, which was modeled after Federal Act. *Bailey Employment System, Inc. v Hahn* (1981, CA2 Conn) 655 F2d 473.

An Ohio statute outlawed "blind bidding" for motion pictures and required screening in Ohio for interested theater operators prior to negotiations or bidding. The statute was upheld. The screening requirement did not violate restrictions of the antitrust law or the copyright laws. *Allied Artists Picture Corp. v Rhodes* (1982, CA6 Ohio) 679 F2d 656.

It was concluded that the Hawaii Supreme Court would not hold that Hawaii's baby FTC act applied to claims arising from securities transactions. *Spinner Corp. v Princeville Dev. Corp.* (1988, CA9 Hawaii) 849 F2d 388.

A patent infringement claim in itself does not state an unfair competition claim. *Water Technologies Corp. v Calco, Ltd.* (1988, CA FC) 850 F2d 660, 7 USPQ2d 1097.

The Pennsylvania Funeral Directors Association (PFDA) sought to invalidate a Federal Trade Commission amendment to the Funeral Industry Practices Rule which would prohibit funeral service providers from charging a "casket handling fee" to consumers who purchased caskets from vendors other than the funeral service provider. The PFDA argued that the FTC's ban on such fees was arbitrary and capricious and unsupported by evidence in the rulemaking record. The Third Circuit disagreed. The amendment was not designed to prohibit funeral service providers from recouping overhead costs or making profits but rather to prevent them from doing so by only charging a casket handling fee to consumers who chose to purchase caskets from a competitor. The rule was promulgated to protect funeral service customers who are in a vulnerable and be-

reaved state and often do not have time to “shop around” at the time of death of a loved one. Because of the casket handling fee, consumers who could not, or would not, pay the fee were forced to purchase a casket from the funeral home. The unavailability of the injury to consumers—defined by the FTC as a restriction on choice and a penalty for exercising that choice—was supported by substantial evidence and not arbitrary or capricious. *Pennsylvania Funeral Directors Ass’n v FTC* (1994, CA3) 41 F3d 81.

A claim of unfair competition in Florida arises under the common law and requires a plaintiff to prove, at a minimum, competition and unfairness. *Breckenridge Pharmaceutical, Inc. v. Metabolite Laboratories, Inc.*, 444 F.3d 1356, 78 U.S.P.Q.2d 1581 (Fed. Cir. 2006).

Although trademark infringement actions fall within the larger umbrella of unfair competition, under Texas law, a defendant may be liable for unfairly competing without having technically infringed a trademark, and intentional trademark infringement should be alleged as an additional count of unfair competition. In *re Hot-Hed Inc.*, 477 F.3d 320, 81 U.S.P.Q.2d 1684 (5th Cir. 2007).

Under California law, a private plaintiff may bring an unfair competition law action even when the conduct alleged to constitute unfair competition violates a statute for the direct enforcement of which there is no private right of action. *Optivus Technology, Inc. v. Ion Beam Applications S.A.*, 469 F.3d 978, 80 U.S.P.Q.2d 1839 (Fed. Cir. 2006).

A claimant alleging a violation of the Massachusetts’ general consumer protection statute must show that the defendant’s actions fell within at least the penumbra of some common-law, statutory, or other established concept of unfairness, or were immoral, unethical, oppressive, or unscrupulous, and resulted in substantial injury. *Ruiz v. Bally Total Fitness Holding Corp.*, 496 F.3d 1 (1st Cir. 2007).

Unfair competition ordinarily consists of representations by one person, for the purpose of deceiving the public, that his or her goods are those of another; it may also extend to unfair commercial practices such as malicious litigation, circulation of false rumors, or publication of statements, all designed to harm the business of another. *NCR Corp. v. Korala Associates, Ltd.*, 512 F.3d 807, 85 U.S.P.Q.2d 1481 (6th Cir. 2008).

With respect to a company’s unfair trade practices claim against a group of attorneys arising from three contracts for the performance of expert litigation services, the district court did not err in analyzing the three separate contracts by lumping them together; the trial court did not need to conduct the analysis for each individual contract because the company pleaded the count in general language stating that the defendants “engaged in unfair business practices by, among other things, failing to pay the plaintiff for the amounts due and owing, and by using false and deceptive means in an effort to avoid paying legitimate debts.” *Cambridge Toxicology Group, Inc. v. Exnicios*, 495 F.3d 169 (5th Cir. 2007).

There was no evidence supporting a predatory pricing/unfair competition claim by a home party plan marketing company, as was required to show a likelihood of success on the merits, supporting the company’s request for a preliminary injunction to prevent a competitor from soliciting the company’s sales consultants. *PartyLite Gifts, Inc. v. Swiss Colony Occasions*, 246 Fed. Appx. 969 (6th Cir. 2007).

Under New York law, punitive damages for common-law copyright infringement and unfair competition are available where a wrong is aggravated by recklessness or willfulness. *Bridgeport Music, Inc. v. Justin Combs Pub.*, 507 F.3d 470, 84 U.S.P.Q.2d 1449 (6th Cir. 2007).

A used car purchaser’s complaint for violation of California’s Unfair Competition Law (UCL) alleged a unified course of fraudulent conduct on the part of the seller, and thus the complaint was grounded in fraud and the court was not required to specifically evaluate the complaint under the unfairness prong of the UCL; the complaint alleged that the seller and its dealerships knowingly misrepresented to the public that their “certified pre-owned” vehicles were safer and more reliable than other used vehicles, with the intent to induce reliance and defraud customers. *Kearns v. Ford Motor Co.*, 567 F.3d 1120, 73 Fed. R. Serv. 3d 1168 (9th Cir. 2009).

Customers failed to state claims upon which relief could be granted in their putative class action against a seller of home improvement products, an independent contractor authorized by the seller to install products in the customers’ homes, and others, alleging claims for unfair and fraudulent business practices in violation of California’s Unfair Competition Law, a

violation of California's Consumer Legal Remedies Act, breach of contract, and breach of the implied covenant of good faith and fair dealing, and for reformation of contract, where the contracts between parties were fixed-price contracts and therefore did not imply a quantity term into the contracts. *Spiegler v. Home Depot USA, Inc.*, 349 Fed. Appx. 174 (9th Cir. 2009).

Under California law, a consumer's allegations that beverage companies falsely represented that a soft drink was bottled and produced in New Mexico, and that he would not have paid full price for the soft drink if he had known that its true place of manufacture was outside New Mexico, were sufficient to state the injury in fact required to establish claims for false advertising, unfair trade practice, a Consumers Legal Remedies Act violation, and common-law fraud. *Chavez v. Blue Sky Natural Beverage Co.*, 340 Fed. Appx. 359 (9th Cir. 2009).

Claims, under Colorado law, for unfair competition and unjust enrichment, arising out of an alleged infringer's copying of language in a section of a report written by a consulting services company, were preempted by the federal Copyright Act; allegations that the alleged infringer reproduced and distributed the company's reports asserted rights that were equivalent to exclusive rights set forth in the Copyright Act. *R.W. Beck, Inc. v. E3 Consulting, LLC*, 577 F.3d 1133, 92 U.S.P. Q.2d 1651 (10th Cir. 2009).

A beneficiary's claims against the administrator of a health benefits plan, governed by the Employee Retirement Income Security Act of 1974 (ERISA), and against plan participants who assigned their rights to plan benefits to the beneficiary, were preempted by ERISA, with respect to claims of fraud and misrepresentation, under Connecticut law, and a claim for violations of the Connecticut Unfair Trade Practices Act, since the beneficiary had no cause of action against the administrator or participants absent the ERISA plan. *Gianetti v. Blue Cross & Blue Shield of CT., Inc.*, 2009 WL 3601647 (2d Cir. 2009).

An insurer's alleged bad acts, denying the insured's initial application for disability benefits, using claim forms that misleadingly diverged from the language in its policies and covertly investigating the insured to test the veracity of his disability claim, did not actually deprive the insured of contractual benefits to which he would otherwise have been entitled, thus defeat-

ing his bad-faith claim and his claim under the Connecticut Unfair Trade Practices Act. *Klein v. Northwestern Mut. Life Ins. Co.*, 337 Fed. Appx. 4 (2d Cir. 2009), distinguished on other grounds by *Hershman v. Unumprovident Corp.*, 660 F. Supp. 2d 527 (S.D. N.Y. 2009).

A notebook computer seller's statements about its products were mere puffery, and thus could not support a buyer's claims under the state Unfair Competition Law and False Advertising Law, in a putative class action alleging that the seller's computers overheated during normal usage because of a defective design. *Oestreicher v. Alienware Corp.*, 322 Fed. Appx. 489 (9th Cir. 2009).

The alleged misrepresentations of two other franchisees, who appeared to be acting as agents of the franchisor, regarding the franchisees' prospects for success in operating a franchise, were not likely to deceive a reasonable consumer, precluding the franchisees' claim against the franchisor under Florida's Deceptive and Unfair Trade Practices Act; after the alleged misrepresentations were made, the franchisees were given and reviewed the franchise agreement, which clearly stated that the other franchisees did not have authority to make representations on the franchisor's behalf, provided a detailed discussion of financial information, including average gross revenues from franchises, but noted that actual results would vary and that the franchisees were encouraged to conduct an independent investigation of the cost and expenses of running a franchise, which the franchisees did. *Cold Stone Creamery, Inc. v. Lenora Foods I, LLC*, 332 Fed. Appx. 565 (11th Cir. 2009).

A power boat owner failed to state a claim against a manufacturer of a power boat engine or the manufacturer of the stern drive for deceptive and unfair trade practices under the Maryland Consumer Protection Act, where the complaint failed to identify a consumer good sold by either manufacturer to the boat owner. *Shonk v. Fountain Power Boats*, 338 Fed. Appx. 282 (4th Cir. 2009).

A claim under Massachusetts law forbidding unfair or deceptive acts or practices in the conduct of any trade or commerce requires a showing of conduct that (1) falls within the penumbra of some common-law, statutory, or other established concept of unfairness; (2) is immoral, unethical, oppressive, or unscrupulous; and (3) causes substantial injury to consumers or other

businesspersons. *FAMM Steel, Inc. v. Sovereign Bank*, 571 F.3d 93 (1st Cir. 2009).

To bring conduct within the unfairness rubric of the Massachusetts' unfair or deceptive practices law does not require that it have been specifically condemned by the Federal Trade Commission. In *re TJX Companies Retail Sec. Breach Litigation*, 564 F.3d 489 (1st Cir. 2009), as amended on reh'g in part, (May 5, 2009).

A provision of the Nevada Motor Vehicle Franchise Act making it an unfair practice for a manufacturer to prevent or attempt to prevent a dealer from receiving fair and reasonable compensation for the value of a franchised dealership as a going concern contemplated the sale or transfer of a franchise, precluding the manufacturer's liability where the dealership never attempted to sell or transfer the franchise. *Courtesy Oldsmobile, Inc. v. General Motors Corp.*, 329 Fed. Appx. 73 (9th Cir. 2009).

Under New York law, to state a deceptive business practices claim, the plaintiff must allege that: (1) the act or practice was consumer-oriented; (2) the act or practice was misleading in a material respect; and (3) the plaintiff was injured as a result. Although monetary loss is sufficient to satisfy the injury requirement under the consumer protection statute, that loss must be independent of any loss caused by an alleged breach of contract. *Spagnola v. Chubb Corp.*, 574 F.3d 64 (2d Cir. 2009).

The alleged conduct of a representative of a competing distributor of surgical implants loudly accusing a former distributor's sales representative of illegally selling surgical implants in a hospital, after the manufacturer of the implants had terminated the contract with the former distributor, did not support the former distributor's claims against the competing distributor for defamation, unfair competition, and tortious interference with contractual relationships, under Pennsylvania law; hospital personnel denied overhearing the argument between the two sales representatives and had no recollection of refusing to do business with the former distributor, the accusations by the competing distributor were not defamatory, and there was no evidence that the former distributor lost business because of the accusations. *Acumed LLC v. Advanced Surgical Services, Inc.*, 561 F.3d 199 (3d Cir. 2009).

The plaintiff's lack of bad faith was a relevant factor for the district court to consider in refusing to award attorney's fees to a

prevailing defendant under the Florida Deceptive and Unfair Trade Practices Act (FDUTPA). *Colomar v. Mercy Hosp., Inc.*, 335 Fed. Appx. 29 (11th Cir. 2009).

A third-party payor failed to plead with sufficient particularity a claim that a pharmacy violated the Illinois Consumer Fraud and Deceptive Business Practices Act by systematically taking prescriptions written for cheap forms of two popular drugs and illegally filling them with expensive forms, where the payor relied primarily on a qui tam complaint filed in a prior action and another third-party payor's suit against the pharmacy without performing its own investigation, the qui tam relator relied on information and belief, the other complaint involved prescriptions filled outside of Illinois, and the payor's own reimbursement data involved only 11 members nationwide and one member in Illinois and did not include comparisons with other pharmacies information regarding cheaper forms of the drugs, or information about the particular circumstances surrounding each member's prescriptions. *Pirelli Armstrong Tire Corp. Retiree Medical Benefits Trust v. Walgreen Co.*, 631 F.3d 436, 50 Employee Benefits Cas. (BNA) 1962, 78 Fed. R. Serv. 3d 771 (7th Cir. 2011).

The evidence was sufficient to establish a nonprofit corporation's conduct in changing the name and appearance of its website was designed to engender confusion among persons who wanted to donate to a competing nonprofit corporation that offered charitable services to injured veterans and their families, as required to support a jury verdict in favor of the competitor on a claim alleging violation of the Nebraska Consumer Protection Act. A correlation existed between the money that the corporation was receiving on its website and the activities that the competitor was doing to raise public awareness, and the corporation cashed donor checks that clearly referenced the competitor's fundraising events. *WWP, Inc. v. Wounded Warriors Family Support, Inc.*, 628 F.3d 1032, 97 U.S.P.Q.2d 1688 (8th Cir. 2011).

An insurer's alleged false promise to restore its insureds' vehicles to their pre-loss condition, and its failure to disclose to policyholders that it would not keep that promise through use of damage-estimating software that systematically omitted or underestimated the cost of repairs were not affirmative acts of unfair or deceptive conduct, as required for a claim under the Illinois Consumer Fraud Act, since those

allegations were nothing more than restatements of the claimed breach of contract, albeit using the language of fraud, even if the breach of contract had been “widespread” or “systematic” over the prospective plaintiff class. *Greenberger v. GEICO General Ins. Co.*, 631 F.3d 392 (7th Cir. 2011).

An alleged statement of a poultry facility owner’s predecessor-in-interest’s plant manager, that the predecessor-in-interest “will not go off and leave you holding the bag,” in response to a city councilman’s question of how the city would repay municipal bonds needed to fund the expansion of the city’s water and sewer facilities to meet the needs of the poultry plant if the predecessor-in-interest “pulled up stakes and left,” had no capacity to deceive a reasonable consumer, and therefore could not support a claim under the Arkansas Deceptive Trade Practices Act (ADTPA); the statement was too vague and ambiguous. *City of Clinton, Ark. v. Pilgrim’s Pride Corp.*, 632 F.3d 148 (5th Cir. 2010).

A physician had independent knowledge of a drug’s risks, and thus, under Florida law, the learned intermediary doctrine prevented a patient, who brought statutory claims for deceptive advertising and deceptive trade practices, from proving that pharmaceutical companies’ alleged deception proximately caused his injuries. The physician had conducted and published two studies on the connection between compulsive behavior and the active ingredient found in the drug and confirmed in an interview that he was aware of the connection between the drug and gambling. *Scelta v. Boehringer Ingelheim Pharmaceuticals, Inc.*, 404 Fed. Appx. 92 (8th Cir. 2010).

A Massachusetts statute prohibiting unfair or deceptive acts or practices in business is violated by a failure to disclose to a buyer or prospective buyer any fact, the disclosure of which may have influenced the buyer or prospective buyer not to enter into the transaction. Thus, a local bank did not violate the statute by not disclosing that an official check could be lost in transit from one bank to another, and that its payment would therefore be delayed, since the risk that letters could be lost in the mail was commonly known and the bank did not need to state the obvious. *Lechoslaw v. Bank of America, N.A.*, 618 F.3d 49 (1st Cir. 2010).

A consumer brought an action against a soft-drink manufacturer, alleging that the manufacturer misleadingly marketed a

soft-drink as a calorie-burning product in violation of the New Jersey Consumer Fraud Act (CFA). She claimed that the manufacturer was required to adequately substantiate its advertising claims prior to marketing the soft-drink. However, a CFA claim cannot be premised on a prior substantiation theory of liability. *Franulovic v. Coca Cola Co.*, 390 Fed. Appx. 125 (3d Cir. 2010).

California automobile insurance policyholders brought a diversity action against automobile insurers and an industry organization, alleging that they violated California antitrust law by conspiring to thwart competition over, and to deceive the policyholders with respect to, repair coverage quality. The Ninth Circuit held that the Insurance Commissioner’s review of the economic reasonableness of the prices did not prevent the antitrust claims alleging that the prices were in fact artificially maintained at a uniform level, whether reasonable or not. *Perez v. State Farm Auto. Ins. Co.*, 391 Fed. Appx. 653 (9th Cir. 2010).

§ 18 Imitation of appearance

State statute re piracy of sound recordings “fixed” prior to February 15, 1972 upheld. *Goldstein v California* (1973) 412 US 546, 37 L Ed 2d 163, 93 S Ct 2303, reh den 414 US 883, 38 L Ed 2d 131, 94 S Ct 27.

A manufacturer has a cause of action for unfair competition against a competitor marketing its products in a form deceptively similar or confusingly similar to the product of the other manufacturer. *Frito-Lay, Inc. v So Good Potato Chip Co.* (1976, CA8 Mo) 540 F2d 927, conformed to (DC Mo) 427 F Supp 677.

Defendant had copied the exterior design of a twin hopper bottomed grain semi-trailer, the “Cornhusker 800”. The district court found that portions of the design were nonfunctional; that the unique design had acquired a secondary meaning in the market place; and that the actions of the defendant tended to cause confusion over the origin of the trailers. The defendant had copied the trailer among other acts and relied on the *Sears* and *Compc* cases (376 US 225, 234). Affirmed. Held that *Sears* and *Compc* did not involve the issues of functionality and secondary meaning, and that the “protection accorded by the law of trademark and unfair competition is greater than that accorded by the law of patents because each is directed at a different purpose. . . .” Defendant’s contention

that it was privileged to copy the exterior design was held invalid. *Truck Equipment Service Co. v Fruehauf Corp.* (1976, CA8 Neb) 536 F2d 1210, cert den 429 US 861, 50 L Ed 2d 139, 97 S Ct 164.

Held that under *Sears* and *Compco* cases, copying may constitute evidence which, when accompanied by proof of confusion as to source or deliberate palming off may support a cause of action for unfair competition upon which appropriate relief may be founded. *Tveter v AB Turn-O-Matic* (1980, CA9 Cal) 633 F2d 831, 209 USPQ 22, cert den (US) 68 L Ed 2d 300, 101 S Ct 1983.

Functionality prevents the acquisition of a trade mark in that feature. In this case the design configuration, rather than serving merely as an arbitrary expression of aesthetics, was intricately related to its functions. The lower court's finding of aesthetic functionality and refusal to enjoin copying of an outdoor wall-mounted luminaire was affirmed. *Keene Corp. v Paraflex Industries, Inc.* (1981, CA3 NJ) 653 F2d 822, 211 USPQ 201.

The evidence showed copying of the plaintiff's packaging. It was held that the test of customer confusion was not whether the products could be differentiated when subjected to a side-by-side comparison but rather whether they create the same general overall impression. *Paco Rabanne Parfums, S.A. v Norco Enterprises, Inc.* (1982, CA2 NY) 680 F2d 891, 217 USPQ 105.

An unfair competition claim was made against the defendant, which copied the plaintiff's carpet display folders. Held that a reasonable jury could have returned a verdict for the plaintiff on the unfair competition claim. While the law permits copying of the product, it did not give freedom to copy the appearance of the package in which the article is sold. The display folders were simply advertising and display materials. They merely aided consumers in selecting the product, which was carpeting. *Fabrica Inc. v El Dorado Corp.* (1983, CA9 Cal) 697 F2d 890, 217 USPQ 698.

For application of doctrine of functionality with respect to section 43(a) of the Lanham Act (15 U.S.C.A. § 1125(a), 1982) see *Sicilia Di R. Biebow & Co. v Cox* (1984, CA5 Tex) 732 F2d 417.

Trade dress: While trial court found a clear likelihood of confusion, the court neglected to make adequate findings to support the issuance of a preliminary injunction. This failure precluded the appeals court now deciding whether the trial

court considered whether the plaintiff's, Inverness, trade dress had acquired secondary meaning; whether the similarities between the products of the plaintiff and the defendant were functional; whether the plaintiff would suffer irreparable injury if the preliminary injunction were not issued. The functional feature was of special significance in this case. *Inverness Corp. v Whitehall Laboratories* (1987, CA2 NY) 819 F2d 48.

§ 19 Appropriation of values; Reaping where another has sown

There was no error in finding a common law right against unfair competition in a tape piracy case. *A & M Records, Inc. v M. V. C. Distributing Corp.* (1978, CA6 Mich) 574 F2d 312.

Use in Delaware Lottery of NFL games and scores obtained from public sources after plaintiffs disseminated them at large and no longer had expectation of generating revenue from further dissemination did not constitute misappropriation. *National Football League v Governor of Delaware* (1977, DC Del) 435 F Supp 1372.

On problem of breach of fiduciary duty by former officer see *Franklin Music Co. v American Broadcasting Cos.* (1979, CA3 Pa) 616 F2d 528.

The defendant in a common-law copyright infringement and unfair competition action in addition to an adverse finding of a common-law copyright infringement also was held to have appropriated the skill, expenditures, and labor of the plaintiffs to its own commercial advantage. The court noted that the 1976 Copyright Act prospectively ended the era of common law copyright as of January 1, 1978. *Roy Export Co. Establishment v Columbia Broadcasting System, Inc.* (1982, CA2 NY) 672 F2d 1095.

As USTA did not prove ownership in the registration certificate, it was not entitled to relief at the existing stage of the proceedings; however it was entitled to an accounting, damages and an injunction on the misappropriation claim based on the eligibility certificates. *United States Trotting Assn. v Chicago Downs Assn.* (1981, CA7 Ill) 665 F2d 781.

The defendant's use of the phrase, "World's Strongest Man," was not an infringement. The user of such a phrase may not prevent others using it so long as the others sufficiently distinguish their product or service so that a reasonably

intelligent and careful person would not be misled. There was no palming off, which is an attempt by one person to induce customers to believe that his products are actually those of another. *Kazmaier v Wooten* (1985, CA1 Mass) 761 F.2d 46.

The defendants purchased wheelchair cushions from the plaintiff. The defendant, Marquis, removed the plaintiff's label, joined the cushions with glue and grommets to make a mattress. The defendant's name was attached to the mattress. The Marquis mattress was "virtually indistinguishable" from the plaintiff's mattress. The plaintiff had a patent over the technology and the cushions. On appeal the court held that there was not reverse palming off. Reverse palming off involved reselling another's product after removing and obliterating the original label and covering products only slightly modified. Here the defendant removed the original labels and sold the product under its own label, but his changes created a new product in relation to wheelchair cushions. He modified the cushions in a more than superficial manner, and created a mattress with certain unique features. *Roho, Inc. v Marquis* (1990, CA5 La) 902 F.2d 356, 15 USPQ2d 1057.

To prevail on a claim of misappropriation of trade secrets under Texas law, the plaintiff must show that: (1) a trade secret existed; (2) the trade secret was acquired through a breach of a confidential relationship or discovered by improper means; and (3) the defendant used the trade secret without authorization from the plaintiff. *CQ, Inc. v. TXU Min. Co., L.P.*, 565 F.3d 268, 90 U.S.P.Q.2d 1571 (5th Cir. 2009).

A mortgage lender's common-law claims against consumer credit reporting agencies for misappropriation of trade secrets, unfair competition, and unjust enrichment, relating to the defendants' sale of mortgage "trigger leads," which indicated individuals that had expressed a desire to obtain a loan, to third-party lenders, were preempted by an express provision of the Fair Credit Reporting Act preempting claims relating to the prescreening of consumer reports, as the third-party lenders obtained the "trigger leads" from the defendants by purchasing prescreened consumer reports. *Premium Mortg. Corp. v. Equifax, Inc.*, 583 F.3d 103 (2d Cir. 2009).

The jury's finding that a licensee wrongfully transferred control of licensed seismic data to its subsidiary was not clearly, decidedly, or overwhelmingly against the

weight of the evidence in the licensor's action for misappropriation of trade secrets, and thus the district court did not abuse its discretion in denying the licensee's motion for a new trial, where the licensee's attorney had sent a letter to the licensor indicating that it intended to transfer the data to the subsidiary without the licensor's approval, and the evidence indicated that employees of the licensee and its subsidiaries generally paid little heed to corporate formalities, instead viewed the licensee and its subsidiaries as "family," and readily shared the seismic data without regard to any limitations imposed by the underlying license agreements. *M.D. Mark, Inc. v. Kerr-McGee Corp.*, 565 F.3d 753 (10th Cir. 2009).

As a general matter, confidential data regarding operating and pricing policies can qualify as "trade secrets" under Oklahoma law. However, a metal business' pricing quote for a customer was not a "trade secret" under the Oklahoma Uniform Trade Secrets Act, and thus a former employee of the business and a competitor did not misappropriate trade secrets by allegedly using the quote to underbid the business, even though the business took measures to keep its pricing information confidential, including the use of confidentiality agreements and passwords, and even though the employee believed the pricing information to be a trade secret during his time at the business; the business did not prevent its customers and vendors from disclosing pricing information to others, and the competitor could have properly acquired the information simply by requesting it from the customer. *Southwest Stainless, LP v. Sappington*, 582 F.3d 1176, 29 I.E.R. Cas. (BNA) 1287, 158 Lab. Cas. (CCH) ¶ 60870 (10th Cir. 2009).

Ample evidence that the very reason a competitor hired a sleep and neurological research product manufacturer's former employee was to obtain access to his intimate knowledge of the manufacturer's business supported a verdict of misappropriation of trade secrets in violation of Rhode Island law. *Astro-Med, Inc. v. Nihon Kohden America, Inc.*, 591 F.3d 1, 29 I.E.R. Cas. (BNA) 1543, 92 U.S.P.Q.2d 1705, 158 Lab. Cas. (CCH) ¶ 60887 (1st Cir. 2009).

The jury's award of profits had not been already taken into account in the computation of actual damages, in an online college's suit against an online university and a school engaged in preparing individuals to enter the field of nursing, alleging that