

# OPIP—When Is It Lawful to Use Other People's Intellectual Property in Franchising?

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In the United States, most people have a cultural sense that everyone should do his own work, not copy. Words like “copy” and “mimic” have pejorative meanings. They often indicate someone was wrong or had no right to use a writing, drawing, song, invention, brand name, or secret that someone else created or owns. It seems only fair that one company’s trademark, copyright, invention, secret, or creative expression belongs to that company and should not be used by anyone else without permission from, or at least attribution of credit to, the original source.

In franchising, these principles are fundamental. At its core, a franchise is a license.<sup>1</sup> A license means permission.<sup>2</sup> One company, the franchisor, owns a trademark and confidential information comprising trade secrets about how to operate a business that sells and distributes a product or service. The franchisor may own copyrights in its operating manual, advertising and store design, and even a patented process relating to its products and services. Were these properties freely available for anyone to use, the franchisor would have no basis to license



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1. Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc., 141 F.3d 490, 497 (3rd Cir. 1998) (“In its simplest terms, a franchise is a license from the owner of a trademark or trade name permitting another to sell a product or service under the name or mark. More broadly stated, the franchise has evolved into an elaborate agreement by which the franchisee undertakes to conduct a business or sell a product or service in accordance with methods and procedures prescribed by the franchisor, and the franchisor undertakes to assist the franchisee through advertising, promotion and other advisory services.”); Atl. Richfield Co. v. Razumic, 390 A.2d 736, 740 (1978) (same).

2. Federal Land Bank of Wichita v. Bd. of County Comm’rs of Kiowa Cnty. (Kan.), 368 U.S. 146, 154 n.23 (1961) (“The word ‘license,’ means permission, or authority; and a license to do any particular thing, is a permission or authority to do that thing; and if granted by a person having power to grant it, transfers to the grantee the right to do whatever it purports to authorize.”).

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them to franchisees in exchange for franchise fees and ongoing royalties. Implicit in the franchise relationship is that the franchisor owns intellectual property, which others cannot use without the franchisor's permission.

But this fundamental premise is not entirely correct. In reality, the Constitution and laws permit and *encourage* the copying and use of others' intellectual property.<sup>3</sup> The nature of intellectual progress is that we build on the creativity and accomplishments of others. The bargain in patent and copyright law, established by the Constitution, is that creators have certain exclusive rights in their invention or work for a *limited time*.<sup>4</sup> The U.S. Supreme Court noted this bargain encourages "public disclosure of new and useful advances in technology."<sup>5</sup> After the limited term ends, works enter the public domain, dedicated to and available for anyone to use.<sup>6</sup> Rights or possible us-

3. See, e.g., *Bretford Mfg., Inc. v. Smith Sys. Mfg. Corp.*, 419 F.3d 576, 581 (7th Cir. 2005) ("Businesses often think competition unfair, but federal law encourages wholesale copying, the better to drive down prices. Consumers rather than producers are the objects of the law's solicitude."); see also *Compcorp Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964) ("Federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes [allows] free access to copy whatever the federal patent and copyright laws leave in the public domain. . . . Under the federal patent laws it is, therefore, in the public domain and can be copied in every detail by whoever pleases."); *Summit Mach. Tool Mfg. v. Victor CNC Sys.*, 7 F.3d 1434, 1437 (9th Cir. 1993) ("Although copyists undoubtedly incur the enmity of the product's creator, they serve the public interest by promoting competition and price reductions. Accordingly, those with the ingenuity to copy a popular but unpatented product are entitled to do so, as long as they do not run afoul of the unfair trade practices laws."); *Murphy v. Provident Mut. Life Ins. Co. of Phila.*, 923 F.2d 923, 930 (2d Cir. 1990) ("Absent some legally defined exclusive right, the law permits and encourages imitation and copying of marks that are in the public domain."); *Fairbanks v. Jacobus*, 8 F. 951, 952 (S.D.N.Y. 1877) ("[A]ny one may make anything in any form, and may copy with exactness that which another has produced, without inflicting any legal injury, unless he attributes to that which he has made a false origin, by claiming it to be the manufacture of another person.").

4. See, e.g., *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998) ("[T]he patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time."); see also *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33 (2003) ("The rights of a patentee or copyright holder are part of a carefully crafted bargain, under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution.").

5. *Dastar Corp.*, 539 U.S. at 33; see also *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) ("the economic philosophy behind the Copyright Clause is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors. . . . copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge") (internal citations and punctuation omitted).

6. Many businesses and industries, such as the pharmaceutical industry, depend on patent and copyright expirations for their operations. Generic drug makers wait for drug patents to expire so that they can manufacture previously patented drugs. See, e.g., *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 847 (1982) (noting that "several generic drug manufacturers . . . began marketing" the previously patented drug after patent expired); see also *Christianson v. Colt Indus. Operating Corp.*, 798 F.2d 1051, 1061 (7th Cir. 1986) (noting that after expiration of a patent anyone having ordinary skill would be able to make use of the technology set forth in the patent). In *Eldred*, 537 U.S. at 186, plaintiffs challenged the constitutionality of the Sonny Bono Copyright Term Extension Act, which extended the duration of existing copyrights. Plaintiffs were businesses that "use, copy, reprint, perform, enhance, restore or sell works of art, film, or literature in the public domain," which claimed that, but for the enlarged durations of

ages that are not protected by intellectual property law are also available for others to exercise. Some usages of protected trademarks and trade secrets by persons other than the trademark or trade secret owner are also possible.

The ability and freedom to lawfully use other people's intellectual property without permission or credit has important implications and possibilities in franchising. As intellectual property owners, franchisors must understand there are limits on their ability to prevent or limit uses of their property by others. Conversely, franchisors and franchisees should understand that they can make extensive use of intellectual property belonging to others. Most important, franchisors, franchisees, and their counsel can benefit from being informed about the vast intellectual property resources that are available and the many permissible uses of other people's intellectual property, even during the periods of time that such property enjoys the imprimatur of a government-issued copyright or trademark registration or letters patent.

Part I of this article discusses the various kinds of intellectual property usages that occur in franchising and summarizes the legal rights, duration, and limits on each of the four main categories of intellectual property: trademarks, copyrights, patents, and trade secrets. Part II discusses legal doctrines that permit uses of other people's intellectual property and available intellectual property resources. The discussion applies these principles to suggest ways to use other people's intellectual property in franchise relationships. Part III concludes the discussion of the use of other people's intellectual property.

## I. Types of Intellectual Property and Usages in Franchising

Intellectual property refers broadly to certain types of property that are not tangible but are creations of the mind or intellect.<sup>7</sup> The main categories of intellectual property are trademarks, copyrights, patents, and trade secrets.<sup>8</sup> All of these embody content or information created by the "inventive faculty," results generated from the thoughts or mental process "evolved from the mind."<sup>9</sup>

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copyrights under the act, "they could have legally copied, distributed, or performed . . . works that would otherwise have entered the public domain." *Eldred v. Reno*, 74 F. Supp. 2d 1, 2 (D.D.C. 1999), *aff'd*, 239 F.3d 372 (D.C. Cir. 2001), *aff'd sub nom.*, *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

7. See, e.g., *Kysor v. Alma Motor Co.*, 287 N.W. 385, 386 (Mich. 1939) ("An invention may be said to be a new idea of means created by the exercise of the inventive faculty for the attainment of some useful purpose. It is a mental result, a concept, a thing evolved from the mind, a product of the intellect, a new idea of means generated by the mind of the inventor, the embodiment of the inventive idea[.] The act of invention is the exercise of the inventive faculty resulting in the creation of a new idea of means, the finding out, the contriving, the creating of something which did not exist before, by an operation of the intellect.").

8. See, e.g., Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287, 292 (1998) ("At the most practical level, intellectual property is the property created or recognized by the existing legal regimes of copyright, patent, trademark, and trade secret.").

9. *Kysor*, 287 N.W. at 386. Today, intellectual property also includes rights of publicity, often called personality rights and moral rights. The right of publicity is defined as the right to control the use of one's own name, picture, or likeness and to prevent another from using it for commercial benefit without consent. Moral rights provide authors with the right to be named

### A. Trademarks

A trademark (or service mark) is any word, phrase, symbol, design, sound, color, or smell used to identify and distinguish one company's goods or services from those of others.<sup>10</sup> Trademark law protects one's right to use a mark to identify the source of the goods or services and prevent confusion by competitors.<sup>11</sup> "Coca-Cola" and its distinctive ribbon script are among the world's most well-recognized and valuable trademarks. Franchise system marks like McDonald's golden arches are critical intellectual property in franchising.<sup>12</sup> A central premise of franchising is that through licensed use of the franchise system's marks (also known as its brand or brands), numerous franchisee outlets in wide geographies can enjoy a common identity, generating public recognition and patronage.

Franchise companies often have occasion to mention the brands, marks, or copyrights of other companies. The most obvious example is when a business offers a branded product for sale. A typical retail store such as a franchised convenience store (e.g., 7-Eleven or Circle K) is stocked with hundreds of branded products that the store advertises and promotes for sale. Reference to brands of others also occurs in comparative advertising<sup>13</sup> and when a business offers to service someone else's branded product.<sup>14</sup> Or it may occur when a business offers to include a branded product, such as a menu item at a restaurant that features or mentions another company's branded product, as part of the sale of goods.<sup>15</sup>

No government imprimatur is needed to establish trademark rights. A proprietor need only adopt and use a word, symbol, or other indicator

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when a work is copied or communicated (the right of attribution), the right not to be named as the author of a work that one did not create (the right to object against false attribution), and the right to control the form of the work (the right of integrity). See LIONEL BENTLY & BRAD SHERMAN, INTELLECTUAL PROPERTY LAW 233 (2001). Although evolving, rights of publicity can be expected to gain relevance and importance in the law of product distribution and franchising as more systems opt to use names and likenesses of famous persons in advertising, signage, and other manners. See, e.g., Experience Hendrix, L.L.C. v. HendrixLicensing.com, LTD, 742 F.3d 377, 380 (9th Cir. 2014) (involving claims of personality rights of Jimi Hendrix in relation to distribution of products); Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc., 568 F. Supp. 2d 1152, 1155 (C.D. Cal. 2008) (involving claims of personality rights of Marilyn Monroe in relation to distribution of products). Discussion of rights of publicity and moral rights is beyond the scope of this article.

10. See 15 U.S.C. § 1127 (defining "trademark" and "service mark").

11. See, e.g., United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918) (noting that a trademark's function is "simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his").

12. See, e.g., Susser v. Carvel Corp. 206 F. Supp. 636, 640 (S.D.N.Y. 1962), *aff'd*, 332 F.2d 505 (2d Cir. 1964) (noting that the trademark is the "cornerstone" of a franchise system).

13. See, e.g., *In re Century 21-RE/MAX Real Estate Advertising Claims Litig.*, 882 F. Supp. 915 (C.D. Cal. 1994) (real estate brokerage franchisor permitted to engage in advertising that compared and named competing real estate brokerage franchise).

14. For example, an auto repair shop, unaffiliated with any car maker, may advertise that it repairs Volkswagens even though that word is the registered trademark for a brand of automobile. Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969).

15. For example, a franchised restaurant or dessert store may offer Hershey's®, M&Ms®, or chopped Reese's Peanut Butter Cups as a topping for a dessert.

as the distinctive identity of its goods or service. For greater protection, trademarks may be registered with the U.S. Patent and Trademark Office (USPTO) or with the trademark registrar of each state. Trademark registrations last for only a limited time but can be renewed as long as the trademark continues to be used and serve its function. Even without registration, the common law grants a trademark owner the exclusive right to use its mark to identify its goods and services over anyone else using the same or a similar mark that is likely to cause confusion to the public.<sup>16</sup> If properly used and maintained, a trademark owner's rights can last in perpetuity.<sup>17</sup>

### B. Copyrights

Copyright refers to one's right to prevent others from copying an original work of authorship.<sup>18</sup> Copyright law protects an author's original expressions by granting the author or copyright holder the exclusive right to copy, display, distribute, perform, or use a work as the basis for derivative works.<sup>19</sup> Under the Copyright Act,<sup>20</sup> works of authorship include literary, musical, and dramatic works; pantomimes; choreographic, pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and works of architecture.<sup>21</sup> Contents of operating manuals,<sup>22</sup> creative advertising, menu boards,<sup>23</sup> brochures, wall designs,<sup>24</sup> training videos, sound recordings used in the business, and even the architectural designs and interior of franchised locations<sup>25</sup> are examples of works that copyright law protects and that franchise relationships commonly use.

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16. See, e.g., *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879) (“At common law the exclusive right to [trademark protection] grows out of its use, and not its mere adoption. . . . It is simply founded on priority of appropriation.”).

17. See, e.g., *Peter Letterese & Assocs., Inc. v. World Inst. of Scientology Enters.*, 533 F.3d 1287, 1322 n.40 (11th Cir. 2008) (“[U]nlike the limited terms of protection accorded to patents and copyrights, trademark protection can be of indefinite duration.”); *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 115 (2d Cir. 2001) (“Patent and copyright law bestow limited periods of protection, but trademark rights can be forever.”); *Brunswick Corp v. British Seagull Ltd.*, 35 F.3d 1527, 1530 (Fed. Cir. 1994) (“[T]rademark protection is potentially perpetual in duration.”).

18. 17 U.S.C. § 102 (“Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression[.]”).

19. See U.S. CONST. art. I, § 8, cl. 8; 17 U.S.C. § 106.

20. 17 U.S.C. §§ 101 et seq.

21. 17 U.S.C. § 102.

22. See, e.g., *Snelling & Snelling, Inc. v. Armel, Inc.*, 360 F. Supp. 1319, 1321 (W.D. La. 1973) (franchisee's use of franchisor's operating manual in a separate business was copyright infringement).

23. See, e.g., *Doctor's Assocs., Inc. v. Vinnie's Smokehouse/Meat Specialty, LLC*, No. 10-3661, 2011 WL 2748668, at \*1, 3 (E.D. La. July 13, 2011) (judgment awarded for infringement of copyright in franchisor's menu board, wallpaper, and other items).

24. See, e.g., *Vinnie's Smokehouse*, 2011 WL 2748668, at \*1, 3 (judgment awarded for infringement of copyright in franchisor's menu board, wallpaper, and other items).

25. See, e.g., *Thomsen v. Famous Dave's of Am., Inc.* 606 F.3d 005 (8th Cir. 2010) (designer's claim for copyright infringement relating to interior and architectural design of barbecue restaurants).

Franchises often have occasion to use creative expressions by others. In offering or selling franchises or advertising to the public, a franchise company may reproduce or quote copyrighted news or magazine articles that review their business. Some retail franchises decorate their walls with inspirational quotations, some from famous people, or photographs or paintings. A franchisor or franchisee may wish to present testimonial quotations to the public or photographs showing people using the franchise's product or service. Confidential operating manuals often include photocopied articles written by others and used without seeking permission on such subjects as safety, sales techniques, effective ways to advertise, developing good community relationships, providing good customer service, training personnel, and using equipment.

The duration of copyrights is limited. Currently, for works created on or after January 1, 1978, copyright protection starts from creation of the work and lasts for the life of the author plus seventy years. Copyrights in works of joint authorship (other than works made for hire) last until the seventieth anniversary of the last surviving author's death.<sup>26</sup> Copyright in anonymous or pseudonymous works, if the author's name is not revealed, and works made for hire lasts for ninety-five years from the date of first publication or 120 years from the date of creation, whichever is shorter.<sup>27</sup>

For works created and published before January 1, 1978, determination of the copyright term is more complex. This is because Congress modified the copyright term<sup>28</sup> on at least five occasions, starting with the Copyright Act of 1790, so the duration for any particular work depends on a variety of factors. Generally, the copyright term for these works is not measured by the

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26. 17 U.S.C. § 302. See *Eldred v. Ashcroft*, 537 U.S. 186, 195–96 (2003) (noting this duration).

27. 17 U.S.C. § 302.

28. The first copyright statute, enacted in 1790, set a copyright term of fourteen years from the date of publication, renewable for an additional fourteen years if the author survived the first term. Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124. In 1831, Congress expanded the copyright term to forty-two years (twenty-eight years from publication, renewable for an additional fourteen years). Act of Feb. 3, 1831, ch. 16, §§ 1, 16, 4 Stat. 436, 439. In 1909, Congress expanded the copyright term to fifty-six years (twenty-eight years from publication, renewable for an additional twenty-eight years). Act of Mar. 4, 1909, ch. 320, §§ 23–24, 35 Stat. 1080. In 1976, Congress changed the method for computing federal copyright terms. Pub. L. No. 94-553, 90 Stat. 2572, §§ 302, 304. For works created by identified natural persons, the 1976 Act provided that copyright protection would run from the work's creation, not publication (as in prior acts), and protection would last until fifty years after the author's death. For anonymous works, pseudonymous works, and works made for hire, the 1976 Act set a term of seventy-five years from publication or 100 years from creation, whichever expired first. For published works with existing copyrights as of January 1, 1978, the 1976 Act set a copyright term of seventy-five years from the date of publication, which was a nineteen-year increase over the fifty-six-year term under the 1909 Act. In 1998, Congress passed the Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (amending 17 U.S.C. §§ 302, 304), which enlarged the duration of copyrights by twenty years. Thus, for works created by identified natural persons, the term now lasts from creation until seventy years after the author's death. 17 U.S.C. § 302(a). For anonymous works, pseudonymous works, and works made for hire, the term is ninety-five years from publication or 120 years from creation, whichever expires first. 17 U.S.C. § 302(c). See *Eldred*, 537 U.S. at 192 (discussing this history).

life of the author. Instead, the term lasts for a fixed period starting on the date of publication or registration (for unpublished works) and extending anywhere from a minimum of twenty-eight to a maximum of ninety-five years, depending on various circumstances.<sup>29</sup>

### C. Patents

Patent law grants exclusive rights to inventors of new and useful machines, aesthetic designs, and useful methods of doing things.<sup>30</sup> A patent is a government-granted right to exclude others from making, using, selling, offering for sale, or importing a particular invention during the term of the patent.<sup>31</sup> Some franchise systems include in their grants of rights to franchisees permission to use and practice patents owned by or licensed to the franchisor.<sup>32</sup>

The law divides patents into three categories: utility, design, and plant patents. The USPTO grants utility patents for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”<sup>33</sup> The USPTO grants utility patents for a term that starts when it issues the patent and ends twenty years after the filing date of the patent application.<sup>34</sup> Design patents cover new, original, and ornamental design for an “article of manufacture.” The design must be definite and reproducible.<sup>35</sup> Design patents are granted for a term of fourteen years from the date the USPTO grants the patent.<sup>36</sup> Plant patents are for discoveries of new varieties of asexually reproduced plants.<sup>37</sup> Like utility patents, a plant patent expires twenty years from the filing date of the patent application.<sup>38</sup>

### D. Trade Secrets

Trade secrets refer to confidential information that has independent value because (1) it is not generally known to the public or to others who could

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29. 17 U.S.C. § 302.

30. U.S. CONST. art I, § 8, cl. 8; 35 U.S.C. §§ 101, 154, 171.

31. 35 U.S.C. § 154(a)(1); Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 215 (1980) (“essence of a patent grant is the right to exclude others from profiting by the patented invention”); Bloomer v. McQuewan, 55 U.S. 539, 549 (1852) (“A patent grants the right to exclude others from making, using, or vending the thing patented, without the permission of the patentee.”).

32. See, e.g., Bandag, Inc. v. Gerrard Tire Co., Inc., 704 F.2d 1578, 1583 (Fed. Cir. 1983) (quoting franchise agreement provision authorizing franchisee to use franchisor’s patented method); Cioffe v. Morris, 676 F.2d 539, 540 (11th Cir. 1982) (concerning franchise to manufacture and sell patented devices); Homewood Indus., Inc. v. Caldwell, 360 F. Supp. 1201, 1202–03 (N.D. Ill 1973) (concerning franchise to market and sell patented devices).

33. 35 U.S.C. § 1.

34. 35 U.S.C. § 154(a)(2).

35. 35 U.S.C. § 171.

36. 35 U.S.C. § 173.

37. 35 U.S.C. § 161. Thus far, plant patents have not been significant in franchising.

38. 35 U.S.C. § 154; see also <http://www.uspto.gov/web/offices/pac/plant> (providing overview of plant patents) (last accessed on Mar. 9, 2014).

benefit economically from the use or disclosure of the information, and (2) the owner uses reasonable efforts to protect as secret.<sup>39</sup> Trade secret laws protect one's right to maintain the secrecy of such information, control its use, and in many instances control its use by others while still maintaining secrecy and ownership of the information.

Trade secrets are central to franchising. Most franchisors have operating manuals containing information about their training programs, operating procedures, equipment, recipes,<sup>40</sup> suppliers, marketing techniques, business forms, and other information.<sup>41</sup> Franchisors consider that these compendiums of knowledge provide an important competitive advantage in their systems and that competitors would benefit if they had access to the information. Franchisors therefore consider this information to be trade secrets.

## II. Legal Doctrines That Permit the Use of Other People's Intellectual Property

### A. *The Law Encourages the Use of Other People's Intellectual Property*

Although the law grants certain protections to intellectual property owners, various theories permit and encourage people and businesses to lawfully use other people's intellectual property. America's economic system encourages creativity. "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that *encouragement* of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors."<sup>42</sup> The overriding purpose for the Constitution's copyright and patent clause is "to promote the Progress of Science and useful Arts."<sup>43</sup> Progress consists of new developments—

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39. UNIFORM TRADE SECRETS ACT § 1(4) (defining "trade secret"); *see also, e.g.*, CAL. CIV. CODE § 3426.1(d); Othentec Ltd. v. Phelan, 526 F.3d 135, 141 (4th Cir. 2008) (defining trade secret based on Virginia Uniform Trade Secrets Act). Except for Massachusetts and New York, all states and the District of Columbia have enacted some version of the Uniform Trade Secrets Act.

40. *See, e.g.*, KFC Corp. v. Marion-Kay Co., 620 F. Supp. 1160, 1163 (D. Ind. 1985) (discussing secrecy of recipe for KFC chicken seasoning); Coca-Cola Bottling Co. of Shreveport, Inc. v. Coca-Cola Co., 107 F.R.D. 288 (D. Del. 1985) (noting "the complete formula for Coca-Cola is one of the best-kept trade secrets in the world").

41. *See, e.g.*, Slates v. Int'l House of Pancakes, Inc., 413 N.E.2d 457, 465 (1980) (describing subjects in franchisor's operating manual, noting: "The franchisor is specifically given the power to promulgate a standard operational procedures manual which will be binding upon the franchisee covering the following subjects: training and supervision of franchisees and restaurant managers, quality control, record keeping and account controls, administrative assistance, periodic inspections, appearance of the premises, hours of operation, merchandise sold, employees' appearance and demeanor, the personal standards in training, promotions, advertising and signs, preparations and service of food and beverages, and relations with suppliers."); *see also* Davis v. McDonald's Corp., 44 F. Supp. 2d 1251, 1257 (N.D. Fla. 1998) (quoting provision of McDonald's franchise agreement concerning the operating manual).

42. Mazer v. Stein, 347 U.S. 201, 219 (1954).

43. U.S. CONST. art. I, § 8, cl. 8.

generations and successors learning from, using, and building upon the efforts and successes of those who came before.<sup>44</sup>

### B. *Franchisors, Franchisees, and Others Are Free to Use Property in the Public Domain*

The Constitution embodies a belief that creative effort protected by copyrights and patents should eventually be available for all to use.<sup>45</sup> Thus, the Constitution permits patents and copyrights to be granted only “for limited times.”<sup>46</sup> When the term of granted rights ends, property enters the public domain and is free for all to use.<sup>47</sup>

Currently, any creative works, including books, news reports, photos, advertisements, works of art, and all other forms of expression, published before 1924 are in the public domain and no longer enjoy copyright protection. These works are free for anyone to use or copy. Copyright protection also has ended for many works first published after 1924—for example, if the copyright owner did not timely file an application to renew the copyright.

Some websites and libraries provide access to countless works. The Internet Archive website<sup>48</sup> provides access to millions of books and films. The contents of such books or films published before 1924, including their text, images, and any other aspects, may be copied freely. It is not even necessary to credit the author.<sup>49</sup> Similarly, any utility patent that was applied for

44. See, e.g., *Eldred v. Ashcroft*, 537 U.S. 186, 127 (Stevens, J., dissenting) (2003) (noting purposes of copyrights and patents are to encourage new inventions and advance progress by adding knowledge to the public domain; thus there is an overriding interest in the release to the public of the products of the copyright author’s creative genius and in rewarding the inventor to motivate that activity and allow the public access to the products of the inventor’s genius “after the limited period of exclusive control has expired.”); William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 GEO. WASH. L. REV. 359, 381 (1999) (“With unfettered access to facts, the public may gain valuable information necessary for an enlightened citizenry, while later authors are free to create subsequent works utilizing those facts.”); Edwin C. Hettinger, *Justifying Intellectual Property*, 18 PHIL. & PUB. AFF. 31, 36 (1989) (“Our society gives its inventors and writers a legal right to exclude others from certain uses of their intellectual works in return for public disclosure of these works. Disclosure is necessary if people are to learn from and build on the ideas of others. When they bring about disclosure of ideas which would have otherwise remained secret, patents and copyrights enhance rather than restrict the free flow of ideas[.]”). Cf. *White v. Samsung Elecs.*, 989 F.2d 1512, 1513 n.11 (9th Cir. 1993) (Kozinski, J. dissenting) (“Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it’s supposed to nurture.”).

45. See *White*, 989 F.2d at 1512 nn.4, 5 & 6.

46. U.S. CONST. art. I, § 8, cl. 8.

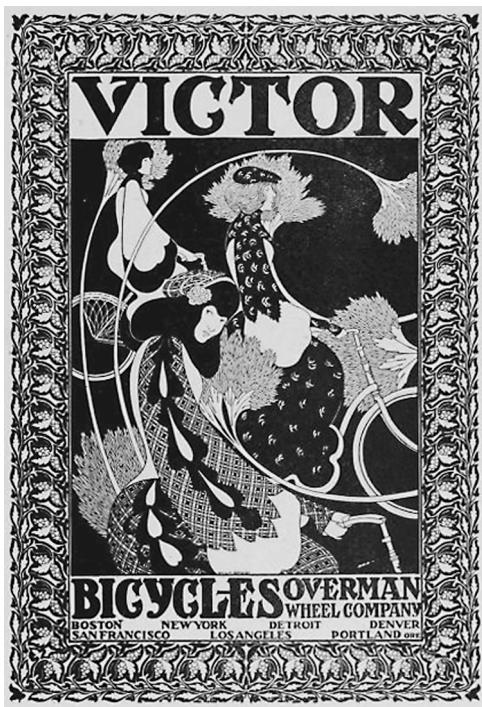
47. See, e.g., *Inslaw, Inc. v. United States*, 39 Fed. Cl. 307, 332 n.17 (1997) (“Items that have been determined to be in the public domain are available for free copying and use by anyone.”); *Klinger v. Conan Doyle Estate, Ltd.*, No. 13 C1226, 2013 WL 6824923, at \*6 (N.D. Ill. Dec. 23, 2013) (“Clearly anyone may copy such elements as have entered the public domain, and no one may copy such elements as remain protected by copyright.”) (quoting 1 NIMMER ON COPYRIGHT § 2.12).

48. See [www.archive.org](http://www.archive.org) (last accessed on Mar. 1, 2014).

49. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33–34 (2003) (“The right to copy, and to copy without attribution, once a copyright has expired . . . passes to the public. . . . The rights of a patentee or copyright holder are part of a “carefully crafted

more than twenty years ago has expired, and the contents of those patents are publicly available for anyone to use.<sup>50</sup>

Vast sources of text, images, ideas, and other materials are available. As an example, a franchisor might decide to conduct advertising using a nostalgic theme. Via the archive.org website, it is possible to access an 1896 book entitled *Posters in Miniature* by Robert Howard Russell.<sup>51</sup> The book is a compendium of approximately 250 examples of poster art from the late 1800s, presenting “some of the best examples of the work of masters of the poster-art in France, England, Germany and America” along with “numerous designs by men of more or less ability.”<sup>52</sup> An image of the following poster appears in the book:



This poster<sup>53</sup> was created by William H. Bradley (1868–1962), a famous illustrator and artist of the late 1800s and early 1900s, known popularly as

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bargain . . . under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution.”).

50. All patents can be accessed at the USPTO website, [www.uspto.gov](http://www.uspto.gov).

51. ROBERT HOWARD RUSSELL, *POSTERS IN MINIATURE* (1896) (accessed at <https://archive.org/stream/postersinminiatu00penf#page/n17/mode/1up>).

52. *Id.* at 12.

53. This poster is one of approximately 250 posters in the book, which is one of tens of thousands of books in the public domain that are available online. These works are searchable and include images and text.

an American Art Nouveau illustrator<sup>54</sup> and one of the “best American poster artists.”<sup>55</sup> Some of Bradley’s works are displayed at the Smithsonian Institution.<sup>56</sup>

Today, a franchisor of bicycle shops might use or adapt the poster for an advertising or marketing campaign. A contemporary poster, based freely on the original, might appear thus:<sup>57</sup>



Each shop independently owned & operated.

This use and adaptation can be made with confidence that the original work is available for use or modification, free of copyright or other claim. No royalty or even attribution to the artist is required.<sup>58</sup>

54. See Smithsonian American Art Museum, <http://americanart.si.edu/collections/search/artist/?id=547> (last accessed Mar. 1, 2014) (containing biography of William H. Bradley).

55. David W. Kiehl, *American Art Posters of the 1890s*, METROPOLITAN MUSEUM OF ART 45 (1987).

56. *Id.*

57. The authors thank Chris Podbielski, director of marketing at Lewitt Hackman, for creating this contemporary sample poster.

58. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33 (2003) (“The rights of a patentee or copyright holder are part of a carefully crafted bargain, under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution.”).

Vast other materials are likewise available for use. Copyright protection is not available for any work of the United States government.<sup>59</sup> Judicial opinions, in some ways comprising an extensive body of literature, as well as statutes, are in the public domain.<sup>60</sup> Large volumes of U.S. government publications, including texts, images, and even recordings, on extremely wide ranging subjects, are readily available and often directly accessible through websites of the federal government<sup>61</sup> as well as catalogues and printed government publications. Such materials may be freely copied or excerpted.

Archive.org has audio materials, videos, music, and texts. Not all are in the public domain, but many of these materials are, and more enter the public domain each year. Another site, Wikimedia Commons,<sup>62</sup> is a database approaching twenty million “freely usable media files.” These are in the public domain, not because their copyrights expired, but because contributors specifically dedicated or gave the materials to the public. Although these materials are also available for use, the use is not as free as for materials with expired copyrights. Under Wikimedia’s terms of use, “all users contributing to the Projects are required to grant broad permissions to the general public to re-distribute and re-use their contributions freely, so long as that use is properly attributed and the same freedom to re-use and re-distribute is granted to any derivative works.”<sup>63</sup> Therefore, while the works are available for public use, such use requires compliance with Wikimedia’s terms, which include the requirements of attribution and making any derivative works likewise available use by others.<sup>64</sup>

Photographers and their stock photographic agency representatives commonly file suit or demand compensation for unauthorized use of photo-

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59. 17 U.S.C. § 105. *See H.R. REP. NO. 94-1476*, at 59 (1976) (“[Section 105] is intended to place all works of the United States Government . . . in the public domain.”).

60. *Banks v. Manchester* 128 U.S. 244, 253 (1888) (“[N]o copyright could, under the statutes passed by Congress, be secured in the products of the labor done by judicial officers in the discharge of their judicial duties. The whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all, whether it is a declaration of unwritten law, or an interpretation of a constitution or a statute.”). However, the original arrangement and pagination by a private publisher and other creative aspects are subject to copyright protection. *West Publ’g Co. v. Mead Data Ctr., Inc.* 799 F.2d 1219, 1227 (8th Cir. 1986) (publisher’s “case arrangements, an important part of which is internal page citations, are original works of authorship entitled to copyright protection.”); *see also Bldg. Officials & Code Admin. v. Code Tech., Inc.*, 628 F.2d 730, 734 (1st Cir. 1980) (“The law thus seems clear that judicial opinions and statutes are in the public domain and are not subject to copyright.”).

61. Examples of federal government websites include the Government Printing Office ([www.gpo.gov](http://www.gpo.gov)), the president’s website ([www.whitehouse.gov](http://www.whitehouse.gov)), and the websites of the U.S. Senate ([www.senate.gov](http://www.senate.gov)) and House of Representatives ([www.house.gov](http://www.house.gov)). Each cabinet level department and numerous federal government agencies also have their own websites.

62. *See* [www.commons.wikimedia.org](http://www.commons.wikimedia.org) (last accessed on Mar. 1, 2014).

63. Wikimedia Terms of Use § 7, [http://wikimediafoundation.org/wiki/Terms\\_of\\_Use](http://wikimediafoundation.org/wiki/Terms_of_Use) (last accessed on Mar. 1, 2014).

64. *Id.*

graphic works on websites and elsewhere.<sup>65</sup> It is not unusual for graphic artists, advertising designers, or other company personnel to acquire images via the Internet and make use of them in a website, brochure, or other communication on behalf of a present employer. These actions result from the confluence of a company's need to communicate a message, designers' needs for imagery, and their ignorance or disregard of copyright laws. The vast resources of material now existing in the public domain and readily accessible via the Internet presents a new option for those seeking imagery and other content to build on or incorporate into their messages.

### C. *The Law Sets Boundaries on What Intellectual Property Creators and Owners Can Protect*

One may view intellectual property laws as establishing vague lines of demarcation, akin to a dividing line between national borders and international waters. Outside a nation's territory "lie the high seas, over which no nation can exercise sovereignty."<sup>66</sup> "The high seas . . . are the common property of all nations."<sup>67</sup> Likewise outside the defining boundaries of any particular type of intellectual property are information and knowledge that are the common property of all and thus available for all to use.

Accordingly, not every element or aspect of a protected work or property is protected or protectable. When not protectable, the elements are available for use by others. As stated by one court: "If what the alleged infringer took was not copyrightable, the copyright owner may not complain, although his work may have been what directly inspired the work of the infringer."<sup>68</sup>

Two major categories, facts and ideas, are examples of knowledge that are freely available for all to use:

Everyday ideas, like thinking to walk the dog on a shorter leash or to go to the top of the Eiffel Tower on a first date, are not the subject of intellectual property rights. At the opposite extreme, the most extraordinary ideas or discoveries are also beyond the ken of legal protection: the calculus, the Pythagorean Theorem, the idea of a fictional two-person romance, the cylindrical architectural column, or a simple algorithm. These extraordinary ideas usually are broadly applicable concepts, but they can be very specific—as in the case of accurate details on a navigation map.<sup>69</sup>

65. See, e.g., Jacobs v. Memphis Convention & Visitors Bur., No. 2:09-cv-02599-STA-cgc., 2012 WL 4468500, at \*1 (W.D. Tenn. Sept. 7, 2012); Moberg v. 33T LLC, 666 F. Supp. 2d 415, 417–18 (D. Del. 2009); Michael Grecco Photography, Inc. v. Everett Collection, Inc., 589 F. Supp. 2d 375, 377–78 (S.D.N.Y. 2008), *vacated in part*, 2009 WL 969928 (Apr. 7, 2009); Straus v. DVC Worldwide, Inc., 484 F. Supp. 2d 620, 623 (S.D. Tex. 2007).

66. R.M.S. Titanic, Inc. v. Haver, 171 F.3d 943, 965 (4th Cir. 1999).

67. The Vinces, 20 F.2d 164, 172 (E.D.S.C. 1927).

68. Shipman v. R.K.O Radio Pictures, 20 F. Supp. 249, 250 (S.D.N.Y. 1937).

69. Hughes, *supra* note 8, at 295–96 ("Intellectual property—like all property—remains an amorphous bundle of rights. However, there are some clear limits to the bundle of rights we will drape around an idea. First, these rights invariably focus on physical manifestations of the rest. In the words of one commentator, '[a] fundamental principle common to all genres of intellectual property is that they do not carry any exclusive right in mere abstract ideas. Rather, their exclusivity touches only the concrete, tangible, or physical embodiments of an abstraction.'") (quoting 1 P.D. ROSENBERG, PATENT LAW FUNDAMENTALS § 1.03 (2d ed. 1985)).

Copyright protects particular *expressions* of ideas, but not ideas themselves.<sup>70</sup> Patent law protects particular inventions but affords no exclusivity in the use or application of the math or formulas or scientific principles that make the inventions work.<sup>71</sup>

In franchising, as in other fields, the ideas of others are freely available for use. This is apparent in observing the landscape of franchising where *multiple* franchise systems often exist in the same field of ideas. Baskin-Robbins, Carvel, and Coldstone represent the *idea* that the public enjoys a quick service dessert. In the real estate brokerage industry, Century 21, Coldwell Banker, Prudential, and ReMax reflect the idea of a franchised chain of real estate brokers. Domino's, Papa John's, Papa Murphy's, and Pizza Hut represent the idea that people will patronize a quick service pizza restaurant. Each of these sectors, as well as hotels, gasoline service stations, automotive repair centers, and myriad other industries, have multiple competitors. Entrepreneurs have been inspired by, used, built on, and perhaps improved on the ideas of those who came before, and of their contemporaries.

When management of one pizza restaurant has the *idea* to produce a thick-crust product, a thin-crust product, stuffed crust, a product with multiple toppings, or to offer a half-price sale, a holiday sale, free delivery, a dollar-menu promotion, or any other clever idea, franchisors, former franchisees, and other competitors are free to adopt and use the same ideas, as well as to modify and improve upon them.<sup>72</sup> The case of *Francorp v. Siebert*<sup>73</sup> is instructive. Executives left a consulting company, which published a website with substantive information about franchising, and started their own competing company. The firm claimed the new company's website infringed on its ideas and information from the original firm's website. In examining the original website, the U.S. District Court for the Northern District of Illinois noted:

The issuance of a copyright does not preclude the presence of ideas nor mean that all aspects of the document are protected. . . . In fact, every work contains ideas.

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70. See, e.g., Blehm v. Jacobs, 702 F.3d 1193, 1201 (10th Cir. 2012) (noting copyright owner has no monopoly over the idea of fashion dolls with a particular look or attitude or wearing trendy clothing, even if allegedly infringing work takes this idea from a copyrighted work, because copyright law protects particularized expression of an idea, not the idea itself, and giving example of architecture, where there is no copyright protection for the idea of using domes, windtowers, parapets, and arches).

71. The law excludes from patent protection laws of nature, natural phenomena, and abstract ideas. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981). Einstein could not have "patent[ed] his celebrated law that E=mc<sup>2</sup>; nor could Newton have patented the law of gravity." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). Neither can one patent "a novel and useful mathematical formula," *Parker v. Flook*, 437 U.S. 584, 585 (1978), or "the heat of the sun, electricity, or the qualities of metals," *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948).

72. See, e.g., *Papa John's Int'l, Inc. v. Rezko*, 446 F. Supp. 2d 801, 810 (N.D. Ill. 2006) (dismissing franchisor's claim for ex-franchisee's unauthorized use of franchisor's registered copyrights because not clear if claim was for use of ideas in the materials or materials themselves, but granting leave to amend to extent franchisor's claim was for copying, disseminating, and preparing derivative works based on copyrighted works).

73. 210 F. Supp. 2d 961 (N.D. Ill. 2001).

So the question is not whether plaintiff's materials contained any original expression, but whether the iFranchise website copied protectable parts of that expression or merely used the same underlying ideas. To determine the scope of copyright protection in a close case, a court may have to filter out ideas, processes, facts, idea/expression mergers, and other unprotectable elements of plaintiff's copyrighted materials to ascertain whether the defendant infringed protectable elements of those materials. Filtering out ideas here reveals that no protected expression has been copied.<sup>74</sup>

Analysis of the original website and side-by-side comparison led the court to find that both sites discussed the definitional elements of franchising, advantages of franchising, and other similar subject matter. This made it inevitable that some terminology in the later site would overlap terminology in the original site. Both sites used short definitional phrases, which are not entitled to copyright protection. Despite similarities, the court ruled the new website did not infringe on the original website.<sup>75</sup> Thus, there is room in franchising for one company, informed by its competitor, to discuss with the public, customers, franchisees, suppliers, and others, the same subjects and use the same ideas and terminology as a competitor, whether in advertising, training, website design and content, or other communications.

In the field of trademarks, the law likewise sets boundaries. An important limit on the protectability of trademarks concerns generic words. The common name for a genus of goods or services is considered to be "generic" and cannot be protected as a trademark "for generic terms by definition are incapable of indicating source."<sup>76</sup>

In *In re Hotels.com, LLP*,<sup>77</sup> the Federal Circuit reaffirmed the USPTO's refusal to register "hotels.com" as a trademark. The court found the word was generic as applied to the services of "providing information for others about temporary lodging; travel agency services, namely, making reservations and bookings for temporary lodging for others by means of telephone and the global computer network."<sup>78</sup> As a word judicially declared to be generic for these services, "hotels.com" may be available for use by franchising companies and all others in the lodging industry or otherwise. Similarly, a

74. *Id.* at 965 (internal citations and some punctuation omitted).

75. See also Nat'l League of Junior Cotillions, Inc. v. Porter, No. 3:06-cv-508-RJC, 2007 WL 2316823, at \*6 (W.D.N.C. Aug. 9, 2007). In *Porter*, a franchisee of an etiquette and dance business gave notice of termination and started a new business similar to the franchisor's program. The franchisee admitted copying the franchisor's registration card. The court "separate[d] the protectable expression unique to the allegedly infringed work from the unprotectable expression that is dictated by the idea upon which the work is based." The court would not grant relief "where analytical dissection demonstrates that all similarities in expression arise from the use of common ideas" because protecting the expression when the idea and expression are inseparable "would confer a monopoly of the idea upon the copyright owner." The court enjoined the franchisee from using an invitation that captured the "total concept and feel" of the franchisor's invitation, using nearly verbatim language, but ruled the franchisee's customer registration card did not infringe, although defendant admitted copying it. The card was predominantly, if not completely, made up of unprotected statements.

76. *In re Hotels.com, L.P.*, 573 F.3d 1300, 1302 (Fed. Cir. 2009).

77. *Id.*

78. *Id.* at 1301, 1304.

federal court ruled that “brick oven” is generic for pizzas and frozen pizzas.<sup>79</sup> “Brick oven,” though placed in use by others, may be available for franchising companies and others to identify their pizza products. These examples reflect the widespread freedom to use generic words that have entered the common lexicon, regardless of whether they were once trademarks.<sup>80</sup>

Burger King, the prominent quick service restaurant franchise, applied these principles in its franchise system. A competitor, Steak ‘n Shake, with more than 400 restaurants in eighteen states, used the term “steakburger” continuously since the 1950s, investing millions of dollars to promote the term. In 2004, Burger King launched “The Angus Steak Burger.” Steak ‘n Shake objected and sought a preliminary injunction. In response, Burger King demonstrated that the term “steakburger” was generic, and the injunction was denied.<sup>81</sup> As a generic word, it was outside the boundaries of trademark law protection.

Another category of available material is abandoned trademarks.<sup>82</sup> Under the Lanham Act, an owner abandons a mark whenever the owner’s course of conduct causes the mark “to lose its significance as a mark.”<sup>83</sup> Abandonment occurs when the owner stops using a mark with no intent to resume using it in the foreseeable future.<sup>84</sup> By law, “nonuse for [three] consecutive years [is] prima facie evidence of abandonment.”<sup>85</sup> Abandonment also can occur if the owner licenses a mark without reserving control over the quality of the licensee’s goods and services sold under the mark.<sup>86</sup> The landscape of Amer-

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79. Schwan’s IP, LLC v. Kraft Pizza Co., 379 F. Supp. 2d 1016, 1022 (D. Minn. 2005).

80. There are several examples of words declared ineligible to be trademarks because they are generic and, as such, are available for all to use and are now common words. “Aspirin” was originally a trademark for one company’s brand of a pain reliever (acetylsalicylic acid). Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921). The word “brassier,” or its diminutive form, “bra,” was originally one company’s brand name for a woman’s bust supporter. Charles R. De Bevoise Co. V. H & W Co., 60 A.407 (N.J. Ch. 1905); see also *In re Northland Aluminum Prods.*, 777 F.2d 1556 (Fed. Cir. 1985) (Bundt cake); DuPont Cellophane Co v. Waxed Products Co., 85 F.2d 75 (2d Cir. 1936) (cellophane); Dry Ice Corp. v. Louisiana Dry Ice Corp., 54 F.2d 882 (5th Cir. 1932) (dry ice, originally a brand name for frozen carbon dioxide); Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. 80 (Comm. Patents 1950) (escalator, originally a trademark for one company’s brand of moving staircase); King Seely Thermos Co. v Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963) (thermos, originally a trademark for an insulated bottle); *In re Gould Paper Corp.*, 834 F.2d 1017 (Fed. Cir. 1987) (screenwipes, claimed as a trademark for wipes for computer and TV screens); Dixi-Cola Labs., Inc. v. Coca Cola, 117 F.2d 352 (4th Cir. 1941) (cola); Coca Cola v. Standard Bottling Co., 138 F.2d 788 (10th Cir. 1943) (same).

81. Steak ‘n Shake Co. v. Burger King Corp., 323 F. Supp. 2d 983, 993 (E.D. Mo. 2004).

82. See, e.g., ITC Ltd. V. Punchgini, Inc., 482 F.3d 135, 147 (2d Cir. 2007) (“once abandoned, a mark returns to the public domain and may, in principle, be appropriated for use by other actors in the marketplace”); Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd., 627 F.2d 628, 630 (2d Cir. 1980) (where a company deliberately abandons its mark, a new company is free to attempt to acquire it through use); Cal. Cedar Prods. Co. v. Pine Mountain Corp., 724 F.2d 827, 830 (9th Cir. 1984) (same); Sutton Cosmetics (P.R.) Inc. v. Lander Co., 455 F.2d 285, 286 (2d Cir. 1972).

83. 15 U.S.C. § 1127.

84. See, e.g., *Punchgini*, 482 F.3d at 147.

85. 15 U.S.C. § 1127.

86. See, e.g., Hokto Kinoko Co. v. Concord Farms, Inc., 738 F. 3d 1085, 1098 (9th Cir. 2013) (“Where a trademark owner licenses the use of its mark but does not provide for the continued

ican business is filled with abandoned trademarks. Acquired or merged national chains, failed companies, and businesses with an unsuccessful product or service often leave trademarks behind. These abandoned marks thus become available for others to adopt and adapt.<sup>87</sup>

Other kinds of words also may be outside the scope of trademark protection, e.g., descriptive terms, geographic descriptions, and surnames, particularly before they acquire “secondary meaning” and become the trade identity of a product or service.

Even putative trade secrets may be susceptible to public use and consumption. To protect a claimed secret, the owner must establish several elements: (1) the owner must possess the information; (2) the information must have actual or potential independent economic value from not being generally known to, and not being readily ascertainable by proper means by, others who could obtain economic value from its disclosure or use; and (3) the claimant must have made reasonable efforts to protect its secrecy.<sup>88</sup> A challenger that can refute any of these elements is free to use the originator’s claimed secret.

The case of *Buffets v Klinke*<sup>89</sup> provides a useful example. A chain of all-you-can-eat buffet restaurants claimed misappropriation of its recipes and training manuals by a competing chain. Defendants previously operated franchised restaurants and sought to buy a franchise from plaintiff, but plaintiff was not franchising. Defendants created an employee manual that was almost an exact copy of the plaintiff’s manual. Defendants also obtained and copied plaintiff’s recipes.

The Ninth Circuit affirmed the district court in dismissing the claims. The court explained the recipes were “basic American dishes that are served in buffets across the United States” and reasoned that BBQ chicken and macaroni and cheese were “undeniably obvious” and thus did not qualify as trade secrets. The job manual was not secret because plaintiff had allowed ex-employees to keep their copies of the manual and thus had not made reasonable efforts to keep it secret. The *Buffets* decision demonstrates the diligence that the law requires of trade secret owners and the latitude that the law allows if claimed property fails to qualify for protection.

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quality control of the goods and services sold under the mark, the trademark may cease to function as a useful marker of the product’s quality or source. When this happens, the owner is said to have abandoned the mark by issuing a ‘naked license’ and is estopped from asserting rights in the trademark.” (citing *Barcamerica Int’l USA Trust v. Tyfield Imps., Inc.*, 289 F.3d 589, 595–96 (9th Cir. 2002)).

87. See, e.g., *Societe de Devs. et D’Innovations des Marches Agricoles et Alimentaires-Sodima-Union de Coops. Agricoles v. Int’l Yogurt Co.*, 662 F. Supp. 839, 851 (D. Or. 1987) (plaintiff’s continuing product development efforts held insufficient to support its claim of a continuing intent to use the mark at issue); see also *Cerveceria Cetroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1027 (Fed. Cir. 1989) (rejecting rebuttal argument that consisted only of “vague” and discredited statements regarding intent to resume use during period of nonuse).

88. UNIFORM TRADE SECRETS ACT § 1(4) (definition of “Trade Secret”).

89. 73 F.3d 965 (9th Cir. 1996).

#### D. *Doctrine of Fair Use*

Another rule permitting use of other people's intellectual property is the "fair use" doctrine. Originally judicially created,<sup>90</sup> the rule is now codified in the Copyright Act.<sup>91</sup> A judicially developed fair use doctrine also exists in the body of trademark law.<sup>92</sup> The rule permits people to use or refer to copyright-protected works and trademarks in certain circumstances.<sup>93</sup>

The contours of fair use continue to evolve, but courts look at four primary factors to assess whether a use or copying is permissible "fair use":

- (1) The purpose and character of the use, including whether the use is for commercial or nonprofit educational purposes;
- (2) The nature of the copyrighted work used. For example, greater leeway is permitted to use or reference someone else's factual work. Creative works like literature receive greater protection.
- (3) The amount and substantiality of the portion of the work used in relation to the copyrighted work as a whole. The less of the original used, the more likely a court will consider it fair use.
- (4) The effect of the use on the potential market for, or value of, the copyrighted work. Where a secondary user's use has little or no effect on the commercial market for the original work the use is more likely to be permitted as fair use.<sup>94</sup>

Categories of works that often involve use, display, or copying of another's copyrighted work include news reports; book and film reviews; scholarly works such as reports, critiques, and analyses; parodies; and satires. For example, a manufacturer developed a dog chew toy called "Chewy Vuitton." The manufacturer sought to parody the distinctive branding and design of the iconic handbags made by designer Louis Vuitton. In an action for infringement brought by Louis Vuitton, the Fourth Circuit held that the chew toy was a parody and thus a fair use that did not infringe the copyright

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90. *Davis v. The Gap, Inc.*, 246 F.3d 152, 173 (2d Cir. 2001) ("Fair use is a judicially created doctrine dating back nearly to the birth of copyright in the eighteenth century . . . but first explicitly recognized in statute in the Copyright Act of 1976.") (citing *Burnett v. Chatwood*, 2 Mer. 441, 35 Eng. Rep. 1008–09 (Ch. 1720); *Gyles v. Wilcox*, 26 Eng. Rep. 489 (Ch. 1740)).

91. 17 U.S.C. § 107.

92. See, e.g., *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, 704 F.3d 44, 49–50 (1st Cir. 2013) (noting that some trademarked products are so well-known and so unique that many goods and services are effectively identifiable only by their trademarks and identifying criteria to establish "nominative fair use" of another's mark); *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1177 (9th Cir. 2010) (nominative fair use doctrine allows "truthful use of a mark, even if the speaker fails to expressly disavow association with the trademark holder, so long as it's unlikely to cause confusion as to sponsorship or endorsement").

93. Patents are also subject to a judicially created doctrine that is something like a rule of fair use. "[A]n experiment with a patented article for the sole purpose of gratifying a philosophical taste, or curiosity, or for mere amusement, is not an infringement of the rights of the patentee." *Poppenhusen v. Falke*, 19 F. 1048, 1049 (2d Cir. 1861). This defense to a patent infringement claim "remains viable" but may be asserted only "in those cases in which the allegedly infringing use of the patent is made for experimental, non-profit purposes only." *Madey v. Duke Univ.*, 336 F. Supp. 2d 583, 590 (M.D.N.C. 2004). Accordingly, the doctrine has only limited or possibly no usefulness in franchising and is therefore beyond the scope of this article.

94. 17 U.S.C. § 107.

or trademarks embodied in the original product.<sup>95</sup> The parody was permissible, despite its unquestionably for-profit motive, because the court found the use of the similar design and name on a dog toy was substantially different from the expensive handbags. Furthermore, the court found that the dog's chew toy would not have any effect on the commercial market for high-end designer handbags.

Courts also have permitted parodies in advertising and marketing. In 1991, photographer Annie Leibovitz's photograph of pregnant Demi Moore, the famous actress, appeared on the cover of *Vanity Fair*. In 1994, Paramount Studios parodied the image in an advertisement, featuring comic actor Leslie Nielsen, to promote its comedy film *Naked Gun 3 1/2*. The Second Circuit held that Paramount's obvious copying of the Leibovitz photo was a parody and a permissible use of the original.<sup>96</sup> The court's principal reasoning was that Leslie Nielsen's smirking face in the later ad contrasted strikingly with Demi Moore's serious expression so that the later ad commented on, or even ridiculed, the seriousness and pretense of the original. According to the court, the later ad could also be perceived as disagreeing with the original photo's attempt to extol the beauty of the pregnant female.<sup>97</sup>

Parody and satire can also be humorous and permissible forms of criticism.<sup>98</sup> In the copyright context, a parody may be a "literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule."<sup>99</sup> It "can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one."<sup>100</sup> "Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's . . . imagination."<sup>101</sup> Thus, "parody, like other comment or criticism, may claim fair use."<sup>102</sup> For trademark purposes, parody is "a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner."<sup>103</sup> A trademark parody "must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody."<sup>104</sup> The message must differentiate the parody from the original but also communicate an element of satire, ridicule, joking, or amusement. Therefore, a parody relies on a difference from the

95. Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 260–61 (4th Cir. 2007).

96. Leibovitz v. Paramount Pictures Corp., 137 F.3d 109, 117 (2d Cir. 1998) (after weighing the fair use factors, holding, on balance, the facts favored defendant).

97. *Id.* at 114–15.

98. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1974).

99. *Id.* at 580.

100. *Id.* at 579.

101. *Id.* at 581.

102. *Id.* at 579.

103. Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 260 (4th Cir. 2007) (quoting *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001)).

104. *Id.* (quoting *Doughney*, 263 F.3d at 366).

original mark, typically a humorous difference, to produce its desired effect.<sup>105</sup> Satire is a work “in which prevalent follies or vices are assailed with ridicule.”<sup>106</sup> Contrary to a parody’s requisite reliance on the original, a satire can “stand on its own two feet” without such reliance on the original work, and thus it “requires justification for the very act of borrowing.”<sup>107</sup>

These decisions have important implications in franchising. People often make and sell products that parody creative works in popular culture. Likewise, marketing funds and franchisee advertising cooperatives might develop advertising and marketing that parody or satirize popular culture. Franchise companies might parody or satirize their competitors’ brand names, advertising, or other characteristics. The receptiveness and willingness of courts to allow parody and satire mean that a company may identify and use, although with caution, preexisting intellectual property as the basis for product development, advertising, and potentially other aspects of the franchise system’s operation.

#### E. Other Rules, Principles, and Doctrines

The discussion in this article is not exhaustive, but it is indicative of the numerous grounds that exist in law permitting the use of other people’s intellectual property. For example, there is no statutory or common law restriction on conducting a lawful investigation and study of a product and disassembling and reverse engineering it. “[I]t is perfectly lawful to ‘steal’ a firm’s trade secret by reverse engineering.”<sup>108</sup>

Legal and equitable defenses to claims of intellectual property infringement or misappropriation also provide a basis that may make usage or continued usage of other people’s intellectual property permissible, or at least non-actionable. For example, where use, though originally improper, has taken place over an extended time, a statute of limitations may bar a claim, whether for damages, injunctive relief, or both.<sup>109</sup> Where use has occurred

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105. *Id.* (quoting Jordache Enter., Inc. v. Hogg Wyld, Ltd., 828 F.2d 1482, 1486 (10th Cir. 1987) (use of the brand name “Lardashe” for jeans for larger women was a permissible parody of the trademark “Jordache” for jeans)).

106. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 581 n.15 (1974).

107. *Id.* at 581.

108. *ConFold Pac., Inc. v. Polaris Indus., Inc.*, 433 F.3d 952, 959 (7th Cir. 2006) (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 155–56 (1989)); *see also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 490 (“[T]rade secret law . . . does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process which aided in its development or manufacture.”). Note, however, that one could voluntarily agree with a trade secret owner not to seek to reverse engineer the product and thus not to seek to discover the trade secret.

109. See, e.g., *Kwan v. Schlein*, 634 F.3d 224, 229 (2nd Cir. 2011) (holding author’s claim against publisher under Copyright Act accrued when first edition of the book was published, so author time-barred on copyright infringement claim); *Cambridge Literary Props., Ltd. v. W. Goebel Porzellanfabrik G.m.b.H.*, 510 F.3d 77, 88 (1st Cir. 2007) (finding Copyright Act, 17 U.S.C. § 507(b), bars lawsuits premised on a copyright claim brought after three years from accrual of the claim).

with the owner's knowledge (or where the owner should have known), and the user changed position and came to rely on its ability to use the property, the equitable defense of laches may be established. As the eminent Judge Learned Hand stated:

It must be obvious to everyone familiar with equitable principles that it is inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation has proved a success. Delay under such circumstances allows the owner to speculate without risk with the other's money; he cannot possibly lose, and he may win.<sup>110</sup>

Relying on Judge Hand's analysis, the Ninth Circuit ruled that a delay of nineteen or more years before a scriptwriter sued for infringement of his written scripts, together with prejudice to the filmmaker and distributor, established the defense of laches.<sup>111</sup> The Second Circuit found that a delay of only two years in bringing suit for copyright infringement, together with prejudice (in that during the two years, the defendant publisher produced 12,000 copies of the book), established a laches defense.<sup>112</sup> The affirmative defenses of statute of limitations or laches do not allow the initial use of someone else's intellectual property. However, where a franchisor or franchise system belatedly discovers it may be using someone else's property, the use was open and over a period of years, and the owner had or should have had knowledge, those affirmative defenses may permit continued usage (in the context of copyrights<sup>113</sup> and trade secrets<sup>114</sup>) and bar damages for prior usage (in the context of patents<sup>115</sup>). Moreover, recent precedent indicates that even where infringement is established, an injunction against future use may not be automatic or presumed.<sup>116</sup>

110. *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916).

111. *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 951–53 (9th Cir. 2001).

112. *New Era Publ'n Int'l, ApS v. Henry Holt & Co., Inc.*, 873 F.2d 576, 584 (2d Cir. 1989); *see also Evergreen Safety Council v. RSA Network Inc.*, 697 F.3d 1221, 1227 (9th Cir. 2012) (finding copyright owner unreasonably delayed asserting rights to copyrighted training manual where ten years elapsed from time owner received copy of accused work from alleged infringer).

113. Laches applies as well in the contexts of trademarks. *See, e.g., Chattanooga Mfg, Inc. v. Nike, Inc.*, 301 F.3d 789, 792 (7th Cir. 2002) (“For laches to apply in a trademark infringement case, the defendant must show that the plaintiff had knowledge of the defendant’s use of an allegedly infringing mark . . . that the plaintiff inexcusably delayed in taking action with respect to the defendant’s use, and that the defendant would be prejudiced by allowing the plaintiff to assert its rights at this time.”).

114. *See, e.g., Fail-Safe, LLC v. A.O. Smith Corp.*, 674 F.3d 889, 892–93 (7th Cir. 2012) (noting district court dismissed trade secret claim on ground of laches); *Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 426–30 (E.D. Pa. 1980) (discussing and applying the laches defense).

115. *See, e.g., ARB Robotics, Inc. v. GMFanuc Robotics Corp.*, 52 F.3d 1062, 1063 (Fed. Cir. 1995); *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1028, 1040 (Fed. Cir. 1992) (“laches bars damages for a patent defendant’s pre-filing infringement but not for post-filing damages or injunctive relief unless elements of estoppel are established”).

116. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392–93 (2006) (rejecting invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed) (citing *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001)).

In the patent context, an important defense is the “on-sale bar.” If a claimed invention was on sale, in use, or publicly disclosed more than one year before the filing of the application for the patent, the applicant is not entitled to a patent, and any patent that issues can be challenged.<sup>117</sup> The publicly disclosed invention is free for all to use.

Another important usage of other people’s intellectual property is the “workaround.” As noted by the U.S. Supreme Court, “even a valid patent confers no right to exclude products or processes that do not actually infringe.”<sup>118</sup> In the context of copyright or trademarks, or even trade secrets, awareness of the contents of a company’s property might lead one to create something based on the original but sufficiently different that it does not infringe.<sup>119</sup> For example, the case of *Warner Bros. Inc. v. American Broadcasting Co.*<sup>120</sup> concerned a television show with a character reminiscent of Superman. The show’s creators, unable to obtain a license permitting use of the Superman character, created their own superhero. They developed Ralph Hinkley, who, while driving in the desert, receives a magical caped costume from a spaceship but loses the instruction manual and only has the oral instruction to “use his powers to save the world from self-destruction.”<sup>121</sup> The costume endows Hinkley with “superhuman speed and strength, the ability to fly, imperviousness to bullets, and . . . ‘holographic vision,’ the power to perceive sights and sounds occurring out of his line of vision.”<sup>122</sup> Hinkley becomes an anti-hero of sorts because he is often scared, crash lands after flying, and cowers from bullets.<sup>123</sup> Obviously, the creators were aware of and inspired by Superman, but the Second Circuit found Hinkley to be sufficiently different and thus a non-infringing workaround.<sup>124</sup>

### III. Conclusion

The law permits and encourages franchise systems to advance their own intellectual property by reverse engineering competitor’s trade secrets, parodying their competitor’s messaging and brands, referencing their competitors in comparative advertising, working around competitors’ patents, using expired copyrights and patents, and otherwise using content in the public domain. The law’s encouragement of progress through these uses of others’ creativity and intellectual property, together with wide array of legal doctrines that make such uses possible, means franchise companies can benefit

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117. 35 U.S.C. § 102(b).

118. *Fed. Trade Comm’n v. Activais*, 133 S. Ct. 2223, 2231 (2013).

119. See, e.g., *W. Union Co. v. MoneyGram Payment Sys., Inc.*, 626 F.3d 1361, 1365 (Fed. Cir. 2010) (“when MoneyGram learned of the patents in suit, it developed a work-around to avoid infringement of those patent claims”).

120. 720 F.2d 231 (2d Cir. 1983).

121. *Id.* at 237.

122. *Id.*

123. *Id.*

124. *Id.* at 243.

from identifying available properties; analyzing those properties; and using, adapting, and building on them.

From Gregorian chants to Beethoven symphonies to the songs of World War I and lyrics and music made famous by Al Jolson and Louis Armstrong; from classical art to Renaissance drawings to posters from the Gilded Age; from ancient texts to the works of F. Scott Fitzgerald, Edgar Rice Burroughs, and L. Frank Baum; from works of creative icons and the characters they created to lesser-known and unknown writers, composers and artists, hordes of intellectual property treasures lay all about us. Like diamonds at our feet, they beckon to be selected and used whether in their original form, or polished and adapted for today, or parodied and criticized. These and other intellectual properties created by others have their place in franchising as in other fields. No theft is involved. The Founders of this nation and the governing laws envision and encourage this use of other people's intellectual property.

