NEWS & COMMENT

BNA's
PATENT, TRADEMARK & COPYRIGHT JOURNAL

NO TIE-IN WHERE SYRUPS AND TOPPINGS FORM PART OF ICE CREAM "END PRODUCT"

In the kind of decision that franchisors often dream about but seldom seem to win these days, the New York Supreme Court (Westchester County) finds a franchisee's antitrust charges to be totally "without merit." Concluding that there is no unlawful tying arrangement, Justice Trainor issues a preliminary injunction requiring a Carvel ice cream franchisee to comply with his contractual obligations to use only Carvel toppings and syrups with Carvel ice cream products. (Carvel Corp. v. Frank, 8/29/75)

After repeated efforts to halt the franchisee's use of non-Carvel toppings and syrups, the franchisor sued for trademark infringement and breach of contract. In response, the franchisee argued that toppings and syrups are not "Carvel products," and that "the ice cream is the only 'Carvel product' sold under the Carvel trademark." Accordingly, said the franchisee, Carvel was illegally attempting to tie the purchase of syrups and toppings to the use of its trademarked ice cream franchise.

The court points out that the franchisee "could have raised this question by an action for declaratory judgment and complied with the agreement that [it] had been able to live with, and apparently prosper under, for the past thirteen years." Instead, the franchisee chose to "violate the terms of [its] agreement with Carvel based upon the * * * unilateral determination that said agreement violated the federal antitrust laws." Unfortunately for the franchisee, this "unilateral determination is against the clear weight of federal judicial authority which repeatedly has held that the Carvel system is proper and does not violate the federal antitrust laws."

Each Carvel store, says the court, is a "miniature ice cream factory." Syrups, for example, are mixed with the basic ice cream formula to provide varied flavors. The Carvel syrups, toppings, and mixes are "made to special and unique specifications and formulations" and are "uniform throughout the Carvel chain." The court observes that there is an "almost infinite profusion of quality, tastes and styles" in these products, and that Carvel has chosen "distinctive" formulas that the customer has come to expect routinely. Thus, toppings and syrups are clearly "ingredients" of the Carvel end-product: "There certainly is an improper 'palming off' when non-Carvel products are used in the final Carvel product."

Reciting the rationale of previous court decisions in Carvel's favor, which are equally applicable here, the court states that even if the facts could be deemed to demonstrate a tie-in, there is adequate justification for such a tie. It would be "absolutely impractical" for Carvel to verbalize standards for something so "unsusceptible of precise verbalization as the desired texture or taste of a desirable and uniform ice cream cone or sundae."

- 0 -

AIA SEEKS LEGISLATION ALLOWING R&D CONTRACTORS TO RETAIN PATENT RIGHTS

Seeking a tangible embodiment of its oft-expressed view that the Government should not be in the patent business, the Aerospace Industries Association of America, Inc. (AIA) has proposed legislation that would normally allow contractors to retain title to patents arising from Government-sponsored R&D.

In a statement accompanying the proposed "Government Procurement Invention Incentive Act," AIA says current federal policies governing the allocation of rights to inventions made in performance of Government R&D contracts "negate rather than effectively utilize incentives inherent in the United States Patent System."

Instead of the present policy, under which the Government usually takes "title" to inventions arising from sponsored research, AIA favors a "license" policy. Under a license policy, "the contractor would retain rights in Subject Inventions and Subject Patents, and the Government would receive a royalty-free nonexclusive license therein with a right to grant sublicenses under certain conditions."

According to AIA, "industry and private persons should own patents -- the Government should not." A patent in the hands of Government, AIA contends, "removes the incentive and encouragement of competition to invent offered by our patents system." The "Government does not and should not compete for a share of the market, and therefore cannot use the patent as a competitive tool." In short, says AIA, "the contractor should retain title to inventions made under Government contracts."

The AIA-proposed legislation, which has been forwarded to both the Office of Federal Procurement Policy and the Energy Research and Development Administration, appears in text at page D-1.

- 0 -

OFFICIALS ADVISE ON PROTECTION OF TRADE SECRETS FROM FOIA DISCLOSURE

A company wishing to minimize Freedom of Information Act disclosure of its trade secrets should liberally designate as "confidential" the information it gives the Government, two Government lawyers this week advised about 110 persons at a National Contract Management Association workshop. The suggestion was one of several bits of advise offered by four panelists discussing the FOIA's impact on contracting officers.

The Act is being used extensively by competitors seeking to discover trade secrets, the panelists said, adding that this poses dangers for firms that submit information to the Government. "I strongly urge contractors submitting information to the Government to label what you regard as confidential or secret," said Jeffrey K. Kominers, deputy counsel for claims of the Naval Sea Systems Command. He said that advising the Government about what should and shouldn't be protected from FOIA disclosure will "protect your interests more readily."

Deputy Assistant Attorney General Irving Jaffe seconded Kominers' suggestion, commenting that a company's "safest procedure" is to tell the Government to withhold information even when such a claim might be questionable. Jaffe and other panelists said the Government and the courts may not agree with the company's opinion on what should be confidential, noting that the public officials' responsibility is to release as much information as possible.

Jaffe stressed that promises of secrecy by a Government official, and company advise to the Government on what not to release, will not necessarily protect information from FOIA disclosure. He said the court usually decides FOIA disputes over trade secrets based on whether the information is ordinarily available, whether releasing the information would harm the firm, and whether releasing it would benefit competition. Jaffe said a company takes little risk of liability by suggesting secrecy standards higher than FOIA officers normally use.