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Intellectual Property, E-Commerce and Entertainment Law

Selected Legal Info, News And Trends

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HOW 'BOUT THOSE APPLES?

Perhaps we should call this item “A Tale of Two Apples (and the Trademark Lawyers Who Love Them)”. It is also a cautionary tale about trying to look into the future when settling disputes within the confines of what we know today.

The story starts in about 1968 when The Beatles started their own record label called APPLE RECORDS. [For any rock & roll trivia fans, here is the question of the day: who was the first musical artist to release an album on Apple Records and what famous musician played bass on one of songs? See the end of this newsletter for the answer]. The logo for Apple Records was a granny smith apple. Apple’s singles and albums had a ripe apple on one side and a sliced apple on the other. Apple Records still exists all these years later as a subsidiary of Apples Corps and is owned by Paul, Ringo and the estates of John and George.

Fast forward to April Fool’s Day in 1976 when Steve Jobs and Steve Wozniak

started their little company called...APPLE COMPUTER. Apple Computer’s logo was – not too surprisingly – an apple, although not a granny smith but a rainbow-colored apple with a bite taken out of it.

In the early 1980’s the Beatles’ company sued Apple Computer and alleged trademark confusion. Apple Computer paid \$80,000 to settle the dispute and – here is where it starts getting interesting – *Apple Computer also agreed to stay out of the music business.*

Fast forward again to 1989 when Apple Computer introduced a music-making software program. The Beatles sued again and in 1991 once again the parties settled. But this time the settlement number went up a little bit: Apple Computer paid The Beatles \$26 million and the parties agreed to sort of divide up the world trademark-wise. The Beatles carved out “creative works whose principal content is music” while Apple Computer was allowed to use its trademarks on “goods and services used to reproduce, run, play or otherwise

deliver such content". But the agreement prevented Apple Computer from distributing content on physical media such as CD's and tapes.

One more time let's fast forward to about 2003 when Apple Computer introduced the iPod and the iTunes Music Store. Another dispute erupted and The Beatles' company sued in England, claiming that the iPod and iTunes violated the 1991 settlement agreement. Apple Computer has argued that the iPod and iTunes are merely "data transmission" devices - not physical media – and that consumers would not be confused and think that the iPod and iTunes were related to The Beatles' company.

The Court in England issued its ruling this week. And the winner is....Apple Computer. The Court not only ruled that Apple Computer had not breached the 1991 agreement, it also awarded court costs which are expected to be in excess of \$9 million. But given the fact that the two companies have been feuding for more than 20 years, the Court's ruling may not be the end of the battle. The Beatles' company has said that it will appeal the ruling.

The moral of the story? When two companies try to divide up their respective fields of use of a trademark, it is critically important to not only understand what each company's goods and services are now, but what they might expand into in the years (and dare we say decades) to come.

GETTING RICH QUICK AND INVENTION PROMOTION COMPANIES:

We have all probably seen the commercials on late night TV: an invention promotion company promises to turn your ideas into

profitable products if you just call for their free inventor kit. The truth is that things are not always what they seem.

Last month a U.S. District Court Judge ordered one such company – Davison & Associates Inc. (now known as Davison Design Development, Inc.) – and several related parties to stop the bogus claims they have used to recruit customers. They were also ordered to pay \$26 million in damages. Additionally, in the future the companies must make specific and detailed disclosures regarding their track record in helping inventors market their inventions and ideas. Why the harsh ruling? Because the reality was that despite their promises, less than one percent of their customers ever received more in royalties from their inventions than what they paid the promoter. [Inventors typically paid anywhere from \$800 to \$12,000 in fees to Davison].

We hope this will send a strong message to the independent inventor community that they must use their heads and not their hearts when signing up with an invention promotion company. In other words, don't believe the sizzle but look hard at the company's disclosures and find out what percentage of their customers make more in royalties and fees than they pay the promotion company. Then make a hard business decision whether it is worth the investment.

Answer to trivia question: James Taylor – who had just gone solo from a band called The Flying Machine – was the first artist to release an album on Apple Records. Paul McCartney played bass on one of Taylor's evergreen hits: "Carolina On My Mind".

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