



# Special Report Special Report Special Report Special Report

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Protection of Part Numbers  
And Electronic Catalogs  
In the Automotive Industry

## **Protection of Part Numbers and Electronic Catalogs In the Automotive Industry**

This article examines various strategies that members of the Motor & Equipment Manufacturers Association (MEMA) may employ to protect (1) the words, symbols or numbers used to identify the source of the parts they manufacture and sell (collectively, the “Part Numbers”) and (2) electronic catalogs, including but not limited to lists of Part Numbers, vendors and suppliers (hereinafter, “Electronic Catalogs”). Even though it is difficult to protect Part Numbers and Electronic Catalogs, protection is available in certain limited circumstances under the following legal principles: (1) federal and common law trademark law; (2) “passing off” under unfair competition theories; (3) federal copyright law; and (4) contract law. This memorandum discusses the strategies for the potential protection of Part Numbers and Electronic Catalogs under each of these legal theories.

### **EXECUTIVE SUMMARY**

Part Numbers may be protected under trademark law if they “function” as a trademark and are “not descriptive.” While it is unlikely that Part Numbers may be protected under copyright law, Electronic Catalogs that feature a sufficiently original selection may qualify for copyright protection. Moreover, both Part Numbers and Electronic Catalogs may be protected under contract law.

Generally, a party may increase its likelihood of successfully protecting its Part Numbers and Electronic Catalogs by incorporating the following actions:

- Use Part Numbers in a manner that makes them function as a trademark or a source identifier. Consider distinguishing the appearance of Part Numbers on the package and in printed material by setting them apart in different fonts, capitalization, size, style, color and location.
- Attempt to obtain trademark registrations for all material or important Part Numbers that qualify as trademarks or source identifiers. Upon acquiring federal registration, use the ® symbol with the mark.
- Attempt to seek federal trademark protection on the supplemental register for important Parts Numbers that are descriptive and have not yet acquired secondary meaning. After five years of use, amend registration to the Principal Register.
- Educate distributors on proper use of Part Numbers.
- Police third party use of Part Numbers.
- When creating Electronic Catalogs, express the information in an original manner so as to qualify for copyright protection.
- Obtain copyright registrations for all materials that qualify for copyright protection, such as catalogs, artwork of parts, brochures, and inventory software.
- Ensure that contractual language is included in all agreements that (1) acknowledges the ownership of trademarks and copyrights, (2) imposes liability for the misuse of trademarks and copyrights and (3) restricts the other party’s commercial exploitation of Part Numbers or Electronic Catalogs outside the scope of the agreement.

## I. Trademark Protection

One of the strongest protections available against the misuse of Part Numbers by others is to obtain trademark protection for the Part Numbers. However, in order for the Part Numbers to qualify for trademark protection, they must not be “descriptive” and be able to “function” as a trademark. Specifically, Part Numbers must be used in a manner and advertised in such a way that consumers would likely identify them as being associated with a particular source (e.g. a specific company or manufacturer). Before considering whether certain Part Numbers will achieve trademark protection, it is important to understand what a trademark is and the level of protection afforded different types of marks.

### A. *What Is a Trademark?*

In general, a trademark, or “mark,” is a symbol (e.g., a word, name, symbol or device or any combination thereof) that performs four functions that are deserving of trademark protection: (1) to identify one seller’s goods and distinguish them from goods sold by others; (2) to signify that all goods bearing the trademark come from or are controlled by a single, albeit anonymous, source; (3) to signify that all goods bearing the trademark are of an equal level of quality; and (4) as a prime instrument in advertising and selling the goods.<sup>1</sup> Accordingly, in order to qualify for trademark protection, consumers must perceive the mark to be a source identifier.

Oftentimes, the particular use of a mark on products will substantively dictate whether the mark is being perceived as a source identifier. For example, the placement of a large decal of a smiley face on the front of a shirt may not be perceived by the public as anything other than ornamental or decorative. However, a shrunken smiley face located on the left hand corner of a shirt may be perceived by consumers as an indication of the source of the shirt. Consequently, it is important to use Part Numbers in a way that will be perceived by consumers as a mark that functions as a source identifier.

The level of trademark protection available for a mark depends on the mark’s degree of distinctiveness. Inherently distinctive marks and suggestive marks are automatically distinctive enough to be trademarks and qualify for the strongest level of trademark protection. Inherently distinctive marks are those which are fanciful, such as coined terms such as KODAK or EXXON, or arbitrary terms, which have actual dictionary meanings, but do not describe the products to which they are applied, such as “APPLE” for computers. Suggestive marks are those that suggest a feature or character of the product or service, but do not actually describe those features. For example, RENT-A-WRECK for automobile renting services has been found to be suggestive.

On the other hand, descriptive marks, that is, those that directly describe a quality, characteristic, function, feature, purpose or use of the specified goods, can only be trademarks if they achieve “secondary meaning.” A descriptive mark can acquire secondary meaning by becoming more well known through advertising and customer awareness. It is typically

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<sup>1</sup> J. Thomas McCarthy on Trademarks and Unfair Competition §3:2 (4th ed. 2003).

demonstrated through sales and advertising expenditures, amount of sales and other factors. No single factor is dispositive.<sup>2</sup> Examples of merely descriptive marks include BED & BREAKFAST REGISTRY for lodging reservation services, and APPLE PIE for potpourri.

### ***B. Part Numbers Can Be Trademarks Under Certain Conditions***

In order to obtain trademark protection for Part Numbers, they must function as a trademark and not be descriptive. To function as a trademark, the Part Numbers must be set apart on a package or product and not merely appear in the UPC code section.

A number of courts have concluded that part numbers, model numbers or grade designations may be descriptive marks because they merely indicate size, capacity, model, style or grade.<sup>3</sup> To qualify for trademark protection, a Part Number that is descriptive must have “secondary meaning” thereby rising to the level of indicating the origin of the goods to which it is affixed.<sup>4</sup> For example, through use and reputation, a company that applied the part number “5-280X” to its universal joints was able to show that the “5” and “X” portions of the mark served as trademarks for the company’s universal joints.<sup>5</sup>

As discussed above, Part Numbers may be protected as long as they are not descriptive (or, if descriptive, have acquired secondary meaning) and are used in such a manner that consumers perceive them to be a source identifier. The techniques listed below may help in developing protectible Part Numbers, establishing secondary meaning and creating the perception that Part Numbers function as trademarks. As the following techniques suggest, the more unique and distinctive the Part Numbers are and the greater attention drawn to the Part Numbers as trademarks, the more likely it is that the Part Numbers will achieve trademark protection.

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<sup>2</sup> *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 393 (2d Cir. 1995) (citing *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 217 (2d Cir. 1985)).

<sup>3</sup> *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 391 (2d Cir. 1995) (citing *Ideal Indus., Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018, 1023 (7th Cir. 1979) (holding that numbers descriptive of size may become trademarks if they acquire secondary meaning), *cert. denied*, 447 U.S. 924, 100 S.Ct. 3016, 65 L.Ed.2d 1116 (1980)); cf., *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569, 1576 (Fed. Cir. 1993) (quoting *Neapco Inc. v. Dana Corp.*, 12 U.S.P.Q.2d 1746, 1748 (T.T.A.B. 1989)). See, e.g., *Fram Corp. v. Boyd*, 230 F.2d 931 (5th Cir. 1956); *In re Standard Kollsman Indus., Inc.*, 156 U.S.P.Q. 346 (T.T.A.B. 1967).

<sup>4</sup> See *K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F.2d 54 (9th Cir. 1969), *cert. denied*, 396 U.S. 825, 24 L. Ed. 2d 76, 90 S.Ct. 69, 163 U.S.P.Q. 704 (1969); *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569, 26 U.S.P.Q.2d 1912, 1919 (Fed. Cir. 1993) (noting, however, that there may be circumstances under which an alphanumeric designation may be inherently distinctive and therefore, not require a showing of secondary meaning).

<sup>5</sup> *Neapco Inc. v. Dana Corp.*, 12 U.S.P.Q.2d (BNA) 1746, 1748 (T.T.A.B. 1989); see also *Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836, 838 (4th Cir. 1990) (finding plaintiff’s three letter combinations had acquired secondary meaning and served as source identifiers). Plaintiff established secondary meaning for its marks through advertising, exclusive use, and prevention of third party use.

- When developing the nomenclature for Part Numbers, choose words, symbols, or numbers that are arbitrary or unique to the company, such as the initials of the company. The more unique the Part Numbers, the less likely that they will be found descriptive;
- Use the Part Numbers prominently on the packaging in a location in addition to the UPC code section and, if possible, in distinctive or larger type font;
- Distinguish the Part Numbers in printed material, such as Electronic Catalogs, from surrounding text either by different fonts, sizes, styles, italicization, color, or capitalization with the appropriate designator ®, <sup>SM</sup>, or <sup>TM</sup>; the ® is appropriate for registered trademarks, the <sup>SM</sup> and <sup>TM</sup> symbols are appropriate for unregistered marks (<sup>SM</sup> should be used with marks associated with services and <sup>TM</sup> should be used with marks associated with goods);
- Promote recognition of the Part Numbers by installers through advertising;
- Keep records of advertising expenses for the Part Numbers;
- Develop a training program to educate distributors on proper use of Part Numbers; and
- Police third party use of Part Numbers.

This list is merely illustrative of the ways in which a Part Number mark can attain secondary meaning and function as a trademark. Trademark counsel can assist in tailoring a plan to the specific needs of particular companies.

### ***C. Benefits of a Federal Trademark Registration.***

If a Part Number is important, we recommend seeking to register that mark where applicable with the United States Patent and Trademark Office (“PTO”). A trademark registration on the PTO’s Principal Register confers significant procedural advantages:

- the validity and distinctiveness of the mark, the registrant’s ownership of the mark, and the owner’s exclusive right to use the mark will be presumed in federal court;
- registration may become “incontestable” after it has been registered and renewed in the fifth year and will become conclusive evidence of the registrant’s exclusive right to use the mark in interstate commerce;
- the ® symbol may be used once the mark is registered and tells the world that the owner is the exclusive owner of the mark;
- registration may be used to stop the importation into the United States of articles bearing an infringing mark; and
- registration may be used to defeat someone from using the mark as their domain name address on the Internet.

For marks that are descriptive but do not yet have secondary meaning, it is possible to register the marks on the Supplemental Register. After exclusive use for five years after being registered on the Supplemental Register, the registration may be amended to the Principal Register.

Accordingly, we recommend, that federal trademark registrations be obtained, if possible, for all primary marks that make up the Part Numbers. For example, if the letters KDG are the primary mark in a series of Part Numbers (e.g., KDG.523, KDG.134, KDG.961), trademark

registration should be obtained for the primary mark KDG; it is not necessary to seek registration for each variant of the mark. We also recommend that trademark registration be obtained for Part Numbers that are significant to your business, or likely to be infringed by competitors. If a Part Number is descriptive, and not “inherently distinctive,” we recommend seeking to register it on the Supplemental Register and/or acquiring secondary meaning through advertising expenditures, sales, and other evidence.

**D. Consider the Facts Which Will Impact the Outcome of a Trademark Infringement Claim**

To establish a trademark infringement claim, the owner of the mark must show that the alleged infringer used in commerce, without the plaintiff’s consent, a reproduction, counterfeit, copy, or colorable imitation of the owner’s mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is *likely to cause confusion*.<sup>6</sup> Whether or not a mark is *likely* to cause confusion is a separate issue from whether there has been *actual* confusion, which is often hard to prove. Courts evaluate a number of factors to determine likelihood of confusion under state and federal law.<sup>7</sup> Those factors include: the similarity of the marks, the similarity of the goods or services; the similarity of trade channels; the conditions under which and buyers to whom, sales are made (*i.e.*, impulsive versus careful sophisticated purchasing or purchasers); the fame of the prior mark; the number and nature of similar marks in use on similar goods; and the nature and extent of any actual confusion.<sup>8</sup> It is important to note that not only may a competitor be found to infringe, but it is also possible to hold distributors and others in the supply chain liable.<sup>9</sup>

**E. Fair Use**

It is important to understand that even if Part Numbers achieve trademark protection, other parties may not be entirely precluded from all use of the marks in connection with their products. Under the normative fair use defense, other parties may use another’s trademark in advertising, including comparative advertising, so long as they only use as much of the mark or marks as is reasonably necessary to identify the product or service.<sup>10</sup> For example, it may be

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<sup>6</sup> 15 U.S.C. § 1114(1)(a), §1125(a)(emphasis added). Also note that protection is also available under state statutes, deceptive trade practices acts, and the common law.

<sup>7</sup> The “likelihood of confusion” test is applied to determine infringement of registered and unregistered marks under federal and state statutory law, as well as common law.

<sup>8</sup> See, e.g., *In re E.I. duPont de Nemours & Co.*, 476 F.2d 1357, 1361, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

<sup>9</sup> *El Greco Leather Product Co. v. Shoe World, Inc.*, 806 F. 2d 392 (2d Cir. 1986), *cert. denied*, 484 U.S. 817, 98 L.Ed. 2d 34 (1987).

<sup>10</sup> To be entitled to a nominative fair use defense, the following three requirements must be met: (1) the product or service in question must be one not readily identifiable without the use of the trademark; (2) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and (3) the use must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1991).

possible for another party to use the Part Numbers to advertise that their products are equivalent to or that their products may be a substitute for or interchangeable with the products associated with the Part Numbers so long as they can substantiate the accuracy and validity of the statement. However, the third party may not be entitled to use the trademark owner's font, lettering, color scheme or logo.<sup>11</sup>

## II. Passing Off

“Passing off” occurs when a third-party makes a false or deceitful representation that is likely to induce the public to believe that the goods belong to someone other than the actual trademark owner. The test for passing off is whether the resemblance between the marks is so great that ordinary customers or installers acting with the level of caution usually exercised in such purchases, mistakes one product for the other.<sup>12</sup>

Acts that constitute passing off can include, for example, copying a competitor's entire part numbering system, using each part number without any modification, using an imitation of the competitor's trademark and trade style, and providing no notice to the trade that the parts were not genuine parts.<sup>13</sup> However, in order to pursue claims under a passing off theory, the mark(s) at issue must qualify for trademark or copyright protection. While trademark registrations or copyright registrations may not be necessary under certain circumstances, such registrations would strengthen a passing off claim against a third party. In cases where your company is faced with similar acts by competitors, a claim under passing off theories may be available. However, the same fair use exceptions discussed above may apply to cases concerning passing off claims.

## III. Federal Copyright Protection

A copyright exists in original works of authorship that are fixed in a tangible medium of expression. Copyright laws specifically do not protect names, titles or short phrases. Rather, copyright laws protect the expression of an idea, such as a drawing, a song, a book, or play, but

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<sup>11</sup> The *New Kids on the Block* Court considered that “a soft drink competitor would be entitled to compare its product to Coca-Cola or Coke, but would not be entitled to use Coca-Cola's distinctive lettering.” *Id.*; see also *Avery Dennison Corp. v. Acco Brands, Inc.*, No. CV99-1877DT (MCX), 1999 WL 33117262, at \*5 (C.D. Cal. Oct 12, 1999) (the plaintiff's mark only appeared in plain, non-stylized font without any other source-identifying indicia that was not needed); *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F. 2d 350, 352 (9th Cir. 1969) (finding relevant to its infringement analysis that defendant did not use Volkswagen's distinctive lettering style or color scheme, or display of the encircled “VW” emblem).

<sup>12</sup> Passing off can occur in several ways. For example: (1) express passing off, which is essentially the classic form of trademark infringement; (2) express reverse passing off, which occurs when a party removes or obliterates an original trademark without permission and rebrands the item with that party's own mark; (3) implied passing off, which occurs when a firm uses a picture or sample of its competitor's product, impliedly misrepresenting that its product is the competitor's product; and (4) implied reverse passing off, which occurs when a party, without permission, removes the original trademark and sells plaintiff's item in an unbranded state.

<sup>13</sup> *B. H. Bunn Co., Inc. v. AAA Replacement Parts Co., Inc.*, et al., 1973 U.S. Dist. LEXIS 11161, 181 U.S.P.Q. (BNA) 82 (Nov. 8, 1973).

not the idea itself. Comparatively, trademark law protects distinctive words, phrases, logos, symbols, slogans and any other devices used to identify and distinguish products or services in the marketplace.

Because copyrights serve to protect original and creative expression and trademarks serve to identify the source of goods, there are areas where both trademark and copyright law may be used to protect different aspects of the same product. Copyrights and trademarks can both play roles in advertising and marketing. For example, in an advertising copy, trademark law can protect the name of the product and any slogans used in the advertising, while the copyright laws protect the additional creative written expression contained in the ad.

Federal copyright law, provides several exclusive rights for copyright owners, including the rights to: reproduce the work; to prepare derivative works based upon the work; to distribute the work to the public by sale or other transfer of ownership, or by rental, lease, or lending; and to display the copyrighted work publicly.

#### ***A. Part Numbers Are Probably Not Copyrightable***

In most instances, Part Numbers do not meet the “originality requirement” necessary to impart copyright protection. For example, a court has held that a fastener manufacturer’s part numbers are not entitled to copyright protection because they lack creativity.<sup>14</sup> In that case, the Southco inventors created the product numbers to represent what the inventor considered to be the important physical values and characteristics of a new product; the part numbering system assigned a 9-digit number to each part based on functional characteristics of each type of part.<sup>15</sup> Southco sought an injunction against Kanebridge’s use of Southco’s part numbers in Kanebridge’s comparative advertising. After reviewing Southco’s methodology for assigning numbers to the parts, the Third Circuit concluded that Southco’s part numbers did not qualify for copyright protection because the numbering system was dictated by Southco’s internal protocol for part numbers and did not contain the “slightest element of creativity.”<sup>16</sup> Though Southco had “devoted time, effort, and thought to the creation of the numbering system,” the Third Circuit did not refute the lower court’s finding that the very existence of the system “made it impossible for the numbers themselves to be original.”<sup>17</sup> Due to the numbering system, there was only one possible part number for any new panel fastener that Southco created.<sup>18</sup> Under the holding in this decision, Part Numbers are not entitled to copyright protection if they are generated through the mechanical application of a part numbering system.<sup>19</sup> In another case, the court held that

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<sup>14</sup> *Southco, Inc. v. Kanebridge Corp.*, 390 F. 3d 276, 282 (3d Cir. 2004) (en banc).

<sup>15</sup> *Id.* at 278.

<sup>16</sup> *Id.* at 282.

<sup>17</sup> *Southco, Inc. v. Kanebridge Corp.*, 258 F.3d 148, 153 (3d Cir. 2001), *aff’d* 390 F.3d 276 (3d Cir. 2004).

<sup>18</sup> *Id.*

<sup>19</sup> Other Courts have also held that a part numbering framework *could* be protected under copyright law, but there have been no cases holding that such a framework was original enough to be copyrighted. For example, in *The Toro Company v. R&R Products*, the part numbering framework was held not to be original because it lacked the requisite level of creativity. In that case, the numbering framework was composed by arbitrarily assigning to a



randomly assigned part numbers were also insufficiently creative to merit copyright protection.<sup>20</sup> Conversely, another court found a classification system sufficiently creative, yet denied copyright protection because the system was an “idea,” and thus ineligible for copyright protection.<sup>21</sup> Nevertheless, a classification numbering system that consisted of an organized system of medical procedure numbers was held to be copyrightable because the court found that the chosen method of classifying the procedures supplied the necessary creativity. This creativity resulted from the authors’ choice of classification methodology from “any of a dozen” possible classification schemes, such as classification according to complexity, required tools, or parts of the mouth involved. Further, the author of the database had supplied short descriptions of the medical procedures within the database.<sup>22</sup>

### C. Copyright Protection for Electronic Catalogs

Copyright protection is available for Electronic Catalogs that feature an original selection or arrangement.<sup>23</sup> While copyright protection is available for the manner in which the data is selected, arranged and presented, it does not extend to the facts themselves. Moreover, the Supreme Court has held that competitors may use the facts contained in another’s catalog to prepare a competing work so long as the competing work does not present the same selection and arrangement of original material.<sup>24</sup>

In *Feist Publications., Inc. v. Rural Telephone Service Co.*, a telephone company sued a regional company who provided a telephone directory containing the same listings in its white pages as those contained in the telephone company’s directory. The telephone company argued that the information contained in its white pages was its copyrighted property and that the regional company could not use this information to compile its own directory. The telephone company further argued that the regional company was required to obtain the information contained in its directory through its own efforts.

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particular replacement part a random number once the part is created. The court found that “there was no evidence that a particular series or configuration of numbers denoted a certain type or category of parts or that the numbers used encoded any kind of information at all.” For this reason, the court did not conclude that copyright protection could be extended to the numbering system, but left open the possibility that other systems might be copyrightable. See *The Toro Company v. R&R Products Co.*, 787 F.2d 1208 (8th Cir. 1986). Consequently, it may be argued that copyright protection for a part numbering may be possible.

<sup>20</sup> *Toro Co. v. R&R Products Co.*, 787 F.2d 1208 (8th Cir. 1986).

<sup>21</sup> *ATC Distribution Group, Inc., v. Whatever It Takes Transmissions & Parts, Inc.*, 402 F.3d 700, 706-07 (6th Cir. 2005) (finding that a classification system of part numbers was creative enough to be copyrighted, yet refusing copyright protection because the system was an uncopyrightable “idea”).

<sup>22</sup> *American Dental Ass’n v. Delta Dental Plans Ass’n*, 126 F.3d 977, 979 (7<sup>th</sup> Cir. 1997). The court also noted that additional creativity was supplied by the author’s choice in using five digit numbers rather than four or six digit numbers.

<sup>23</sup> *Feist Publications., Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 344 (1991).

<sup>24</sup> *Id.* at 349.

The Supreme Court concluded that the regional company's conduct did not constitute copyright infringement because the telephone company's directory did not meet the originality requirement for copyright protection; the directory merely listed subscribers' information in alphabetical order, a selection and arrangement lacking any creativity. The Court further noted that copyright protection does not extend to facts.<sup>25</sup>

However, if the Electronic Catalog has been developed by a person or company residing or doing business in Europe, it may qualify for protection. In 1996, the European Union enacted a Database Directive that created a new form of legal protection for Electronic Catalogs. The Database Directive protects Electronic Catalogs that do not qualify for copyright protection and includes non-electronic databases. It gives any person or firm that has substantially invested in the compilation of data the right to prevent others from extracting or reusing all or a substantial part of the contents of its catalog.

The Directive extends to (1) European Union nationals or persons who maintain their habitual residence in the territory of the Community, (2) companies or firms formed under the laws of a Member State with a principal place of business or with an effective and continuous link with the economy of a Member State.<sup>26</sup>

In response to the EU Database Directive and, in part, to the *Feist* decision, several legislative proposals have been introduced in the United States. Most recently, the House Judiciary Committee approved HR 3261, the "Database and Collections of Information Misappropriation Act." This bill provided, in relevant part, that any person who makes commercially available a quantitatively substantial part of a database maintained by another without proper authorization will be held liable if "(1) the database was created or maintained through a substantial expenditure of financial resources or time; (2) the unauthorized making available in commerce occurs in a time sensitive manner and inflicts injury on the database or a product or service offering access to multiple databases; and (3) the ability of other parties to free ride on the efforts of the plaintiff would so reduce the incentive to produce or make available the database or the product or service that its existence or quality would be substantially threatened."<sup>27</sup> However, HR 3261 was not enacted into law, and as of this date, no further legislation has been proposed.

As discussed above, Electronic Catalogs may obtain copyright protection if they feature an original selection or arrangement. The following actions may help to create Electronic Catalogs that qualify for copyright protection:

- When developing Electronic Catalogs, exercise editorial judgment in the selection and presentation of information. For example, sort, select and group the categories of Part Numbers in a creative manner that is not standard in the industry;

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<sup>25</sup> *Id.* at 362-363.

<sup>26</sup> See *Directive 96/9/EC of the European Parliament and the Council of 11 March 1996 on the legal protection of databases*, 1996 OJ L77 (March 11, 1996).

<sup>27</sup> H.R. Res. 3261, 108th Cong. § 3 (2003).

- When referring to Part Numbers, include original expressions such as helpful information about the associated products, details about the parts, information about their regional availability and installer preferences.

#### **IV. Legal Contracts**

Even if protection for Part Numbers or Electronic Catalogs is not available under trademark or copyright law, protection may be available under contract law. A party may restrict another party's right to use its Part Numbers or Electronic Catalogs by contract. When a party violates the terms of use established in a contract, a remedy may be available under a claim for breach of contract even though the use may not infringe any trademark or copyright. One of the most prevalent ways for companies to protect Part Numbers and Electronic Catalogs is through the use of an online agreement. For example, when contracting with a distributor in an online format, an agreement could require that the distributor or other third parties not use the Part Numbers or Electronic Catalog in a commercial manner other than to order products from the manufacturer or supplier.

However, there are issues concerning the enforceability of such agreements. For example, it is not entirely clear that these agreements will be enforced everywhere because in many instances enforcement of the agreement will be subject to state law and there may be potential antitrust implications. Moreover, the trademark or copyright owner may not be in privity of contract with the infringing party; the agreement may not be enforced against a third-party that has not assented to the agreement.

##### **A. Click-Wrap Agreements**

Presently, a legal contract is the most effective means of protecting Part Numbers and Electronic Catalogs in the United States if it can be established that the agreement restricting the third party's right to exploit or use the Part Numbers and Electronic Catalogs is enforceable. Most catalogs distributed in an electronic format include a click-wrap agreement that limits the manner in which end users may use the Electronic Catalogs. Generally, a user enters a click-wrap agreement by manifesting assent to the terms of the contract by 'clicking' on the acceptance button of a website. If the consumer does not agree to the contract terms, the website will not accept the consumer's order."<sup>28</sup> The term "clickwrap agreement" is derived from case law regarding "shrinkwrap agreements;" *i.e.*, license agreements placed inside the cellophane shrinkwrap of computer software boxes that are binding once the consumer opens and uses the product.<sup>29</sup> It may also be possible to include restrictions on the use of Part Numbers in the online agreement.

Most courts that have considered the enforceability of clickwrap agreements analogize them to shrinkwrap agreements and other similar contracts in which payment precedes the detailed terms. Generally, when shrinkwrap agreements have been found enforceable, it has

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<sup>28</sup> *Stomp, Inc. v. NeatO, LLC*, 61 F. Supp. 2d 1074, 1081 n.11 (C.D. Cal. 1999).

<sup>29</sup> *Id.*

been upon a showing of assent by the consumer, and a vendor “may invite acceptance by conduct, and may propose limitations on the kind of conduct that constitutes acceptance. A buyer may accept by performing the acts the vendor proposes to treat as acceptance.”<sup>30</sup>

Alternatively, there is also case law providing for the invalidation of software license terms. Recently, some courts have begun to find against vendors who attempt to overly restrict end user rights. Specifically, the U.S. District Court for the Eastern District of Pennsylvania ruled that UCC remedies were available to an end user despite disclaimer language found in the software license’s “Limitation of Liability” clause.<sup>31</sup> In *Amsan*, the court recognized the validity of “Limitation of Liability” clauses, but noted that Pennsylvania Commercial Code §2719(b) sets out an exception which states that “[w]here circumstances cause an exclusive or limited remedy to fail of its essential purpose, remedy may be had as provided in this title.” Because the licensing agreement limited remedy to repair or replacement of the defective software, the software vendor’s refusal to repair or replace the software caused the exclusive remedy under the license agreement warranty to fail of its essential purpose, allowing the end user to seek remedies under current applicable law.

Most recently, the US District Court for the Central District of California held that the first sale doctrine entitled a software distributor to unbundle software and sell it in separate components regardless of restrictions provided within the shrinkwrap license agreement that accompanied the bundled copyrighted software.<sup>32</sup> In *Softman*, the court reasoned that the reality of the software transaction “strongly suggest[s]” a sale of good rather than a license and therefore amounted to a transfer of ownership of property.<sup>33</sup> Furthermore, the court found that *Softman*’s resale of Adobe’s software did not amount to assent to the software license because “[r]eading a notice on a box is not equivalent to the degree of assent that occurs when the software is loaded onto the computer and the consumer is asked to agree to the terms of the license.”<sup>34</sup>

In these cases, the court’s primary concern in determining the enforceability of these contractual relationships is whether the consumer manifested assent to the terms of the agreement. While courts have recognized that a single mouse click on a button can suffice as a manifestation of assent, a vendor that requires a more active gesture from a consumer, such as clicking a button multiple times, or typing in a phrase or other electronic signature, has stronger evidence of that consumer’s assent. To date, however, a manual signature remains the most effective means for securing the enforceability of the provisions of a contract, especially

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<sup>30</sup> *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447,1451 (7th Cir. 1996) (upholding enforceability of commercial exploitation and reverse engineering terms in software license agreement displayed on computer screen and accepted by purchaser prior to allowing access to the software).

<sup>31</sup> *Amsan LLC v. Prophet 21 Inc.*, 2001 WL 1231819, 45 UCC Rep. Serv. 2d 1089, E.D. Pa., No. 01-1950, (10/15/01).

<sup>32</sup> *Softman Products Co. v. Adobe Systems Inc.*, 171 F. Supp. 2d 1075, 1087 (C.D. Cal. 2001).

<sup>33</sup> *Id.*; see also *Microsoft Corp. v. DAK Indus.*, 66 F.3d 1091, 1095 (9th Cir. 1995).

<sup>34</sup> *Softman Products Co.*, 171 F. Supp. 2d at 1087.

internationally. Consequently, to ensure the highest level of protection, a company should obtain a manual signature on essential contracts; we recommend asking the consumer to type the words “I agree” at the end of the terms of the agreement.

To increase the likelihood of protection for Part Numbers and Electronic Catalogs under contract law, we recommend taking the following actions and incorporating the following provisions into an agreement:

- In any catalogs distributed in electronic format, include a click-wrap agreement that limits how end users may use the Electronic Catalogs and Part Numbers. The agreement should include an “I agree” button in close proximity to the end of the terms of the agreement;
- In any contracts with distributors and all entities along the distribution chain, including warehouse distributors, auto parts jobbers and installers, include language imposing liability on anyone who misuses any intellectual property, including specifically Part Numbers, Electronic Catalogs, inventory schemes, interchange sheets and the like.
- Require an assent to the forum selection clause;
- Include a non-competition provision;
- Include a confidentiality provision.

## **V. CONCLUSION**

The law is continuously evolving in this area. Accordingly, the strategies and techniques discussed above may work in some jurisdictions, but not in others. Legal counsel can assist you in developing a strategy appropriate for your company and specific jurisdiction.