

Report From Counsel

Insights and Developments in the Law

Summer 2008

Too Small to Be International? Think Again.

By J. Keith Phifer, Esq.

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If you are currently engaged in international business, or you have aspirations of expanding your operations into foreign markets, you should consider the international marketing services offered by the Massachusetts Office of International Trade and Investment (MOITI). MOITI is dedicated to expanding the Commonwealth's economy through marketing Massachusetts businesses on the international market and by facilitating investment in Mas-

sachusetts businesses. Further, as a fully funded agency of the Commonwealth of Massachusetts, many of its services are free of charge to you.

Working closely with its sister agency, the Massachusetts Export Center, MOITI promotes the expan-

sion of local businesses into foreign markets. One of their primary objectives is assisting small and medium sized businesses within the Commonwealth in entering international mar-

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New Mandatory Overtime Penalties Alarm Massachusetts Employers

By Michael T. O'Neil, Esq.

As of July 13, 2008, Massachusetts employers will face *automatic treble (triple) damages* for any violation of the Massachusetts Wage Act including failure to properly pay overtime to employees. This means that a \$3,000 claim for a single employee can now turn into a \$12,000 claim automatically. If there are multiple employees

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Schlossberg & Associates, P.C. Notes

By Jeffrey M. Schlossberg, Esq.

- Schlossberg and Associates, P.C. would like to welcome Brett A. Kaufman, J.D., LL.M to the Firm. Brett will be chairing the Estate Planning and Probate Administration departments here at S&A. Brett has worked in the area of estate and tax planning for over 10 years in private legal practice and at Price Waterhouse Coopers. He also holds a Masters Degree in Taxation Law from Boston University School of Law. Brett's predecessor, Denise Lambert, has relocated to Washington, D.C. where she is currently employed by TIAA-CREF.
- Many of us are very worried about the state of the economy. With over 600 business clients, it is of deep concern to us as well. By and large, it appears that we all will persevere though this challenging time. It is times like this that we must pay the most attention to our businesses because the margin for error shrinks in down times. We believe this economy will give rise to significant opportunities for many of you to grow your businesses even though, at first blush, this may run counter to your plan. We urge our clients to not back burner their professional services as a luxury type of expense. We hope to keep in touch with all of you and give whatever help we can to help you through these difficult times.

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Protection for Parodies

It is the very nature of parody to present two opposing messages: that the parody is, in fact, the genuine article that is being parodied, and that it is not the original, but is instead just a parody. When used to promote a product, the parody may transgress federal trademark law if it succeeds in the first objective but not in the second. In that case, the parody will have created customer confusion, which is a critical element for a claim of trademark infringement.

There was a recent victory for parody in the marketplace when a federal court rejected claims of trademark infringement and trademark dilution

Trademark dilution differs from infringement in that it is not necessary to show confusion in the marketplace.

brought against the imitator. On one side was Louis Vuitton Malletier (LVM), the maker of luxury handbags, luggage, and even some pricey pet accessories. Some of LVM's trademarks go back to the 19th century.

Distinctly at the other end of the spectrum was the upstart defendant Haute Diggity Dog (HDD), purveyor of dog toys and beds which play on the names of luxury items. Among HDD's offerings were "Chewnel No. 5" and "Dog Perignonn." You get the idea.

HDD targeted LVM, in particular, by offering chew toys that were shaped like miniature handbags resembling LVM products and that used patterns evoking trademarked LVM designs. Predictably, the chew toys were sold under the name "Chewy Vuiton."

Not amused, LVM sued HDD in federal court for trademark infringement and trademark dilution. Unfortunately for LVM, the court was amused, or at least it got the joke. As the court

put it, the chew toy "irreverently presents haute couture as an object for casual canine destruction. The satire is unmistakable."

The obvious nature of the parody was legally significant because there was no real likelihood of confusing the chew toys with the upscale leather goods they were meant to evoke. There were clear and immediate differences between the products, and even the "simplified and crude" imitation of the LVM designs was not such as to create a danger of confusion with the real thing among the dog masters who do the buying. (Dogs might see no difference and chew up a \$1,000 handbag as vigorously as they would a chew

toy, but they have no say in trademark lawsuits.)

Trademark dilution differs from infringement in that it is not necessary to show confusion in the marketplace. It is a more nebulous concept, but prohibited dilution occurs when there is "blurring" or "tarnishment," that is, an association arising from the similarity between the challenged mark or name and the famous mark that impairs the distinctiveness of the famous mark. In the end, the very fact that the chew toy parody was successful defeated the dilution claim, just as it had the infringement claim.

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Outlaw vs. Rule of Law

Recently, court documents were uncovered from a successful civil case involving some notorious nineteenth-century defendants who were better known for avoiding the legal consequences of their acts: Jesse and Frank James.

Not surprisingly, the case against the James brothers stemmed from one of their signature activities, a bank robbery. During an attempted bank robbery by the brothers in Gallatin, Missouri, in 1869, Jesse James killed a cashier. As the brothers made their getaway, Jesse was thrown from his horse, which he left behind in favor of doubling up on Frank's horse. Soon thereafter, the brothers happened upon the unfortunate Dr. Smoote, who was also on horseback. Jesse relieved Smoote of his horse, at gunpoint, and continued the escape.

Smoote was not the first or last victim of the James brothers, but he was unusual in then bringing, and winning, a lawsuit against them for the full value

of the horse, saddle, and bridle that they had stolen.

One might expect the outlaws to have ignored the lawsuit altogether, but the brothers answered the lawsuit by arguing that they were not personally served with notice of it. Although a sheriff testified that he had delivered the papers to the James family farm (pity the process server charged with serving a summons on Jesse James), the case was dismissed on that technicality. That might have been the end of the litigation, were it not for Jesse's decision to publish a letter in a newspaper declaring himself innocent of the holdup and murder.

Correctly pegging Jesse James as a newspaper reader, Smoote's attorney cleverly won the court's approval to file a notice of service in the classified section of a local newspaper, thus giving Dr. Smoote another bite at the

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Lawyer's Approval for Acceptance of Offer

When the owners of a party store received an offer to purchase not the entire property, but only their liquor license and fixtures, they accepted the offer, but on the condition that their attorney approve the deal. Before the attorney's review of the first offer, the owners received a better offer from another potential buyer, this time for the entire property, including the license, the fixtures, the real property, and the business itself.

The second offer was for about five times as much money as the first offer. The owners also accepted this offer, but again conditioned acceptance on

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approval by their attorney. The owners' attorney then reviewed both offers at the same time and, not surprisingly, approved the second, more favorable one.

The disappointed party that had made the first offer sued the owners to enforce what it regarded as a completed contract for the sale of the license and fixtures. It contended that the sellers had waived the requirement of attorney approval by their bad faith in simultaneously submitting to the attorney two competing purchase agreements, both of which conditioned acceptance on approval by the attorney. The disappointed party further argued

that, by procuring the second offer and prospective agreement, the sellers had wrongly hindered the fulfillment of the only condition remaining to be fulfilled on the first agreement—attorney approval.

A court disagreed that there was any bad faith and upheld the contract formed when the second offer was accepted and approved by the sellers' attorney. While the plaintiff had been the first to make an offer of any kind, nothing in its potential contract prohibited the sellers from considering other offers. Nor were the sellers obliged to take the property off the market pending review of the first offer by legal counsel. Consideration and eventual full acceptance of the second offer was

not legally impermissible where the first offer had been only conditionally accepted.

There was no limit on what aspects of the first agreement were subject to the attorney's approval. He was free to disapprove it, as he did, simply because there had been a better competing offer made by a competing prospective buyer. Moreover, the sellers had not interfered with their attorney's actions, such as by instructing him to disapprove the first offer. In short, the sellers had not acted in bad faith. They were guilty of nothing more than shrewd business moves during what the court described as a period of "dickering" that preceded the formation of an enforceable contract.

Protection for Parodies

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LVM's trademarks are quite famous—the court called them "icons of fashion." But the fame actually worked to LVM's disadvantage in court by increasing its burden of demonstrating that the parody really was likely to tarnish the distinctiveness of LVM's name and products. Not only that, but the court saw the parody as probably having a salutary effect on LVM: A successful parody might actually enhance the famous mark's distinctiveness by making it more of an icon. As the court put it, the target of the joke becomes yet more famous. You might say that the court told LVM to lighten up and see the upside of having its products lampooned.

Outlaw Justice

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apple. Again, through their attorney, the James brothers initially fought the lawsuit, but soon they withdrew from the suit and allowed a judgment to be entered against them for \$223. The judgment was satisfied when Smoote took possession of the horse which Jesse had left behind at the robbery.

Yes, Dr. Smoote had to endure the dreaded prospect of staring down the barrel of Jesse James's weapon, but in dollars and cents he fared well. The horse he now had, which Jesse had bought with cash gained from some of his successful robberies, was believed to have been from Kentucky racing stock and was valued at \$500 (a considerable sum for the time).

Actual resolution of legal issues depends upon many factors, including variations of facts and state laws. This newsletter is not intended to provide legal advice on specific subjects, but rather to provide insight into legal developments and issues. The reader should always consult with legal counsel before taking action on matters covered by this newsletter.

MOITI

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kets that may otherwise be inaccessible. The agencies achieve this objective through a number of promotional tools. One of the most effective promotional services that MOITI provides for small businesses is participation in trade shows. Each year MOITI recruits small businesses from within the state to exhibit in several major international trade shows. These are typically industry-specific shows focusing on some of the Commonwealth's most prevalent industries including life sciences, medical instruments, IT, marine technology, plastics, and environmental among others. Participating in these trade shows allows companies to create contacts with potential overseas customers, an opportunity generally not available to small and medium sized companies. In the past, sales at some of these trade shows have totaled more than \$16 million. Exhibiting at these shows through MOITI also provides considerable cost savings and valuable services which would otherwise be available to businesses. The trade show package can include turn-key booth space, logistic support, identification of distributors and certain value added services such as language assistance before, during and after the event.

MOITI also offers a number of customized services for the business that is looking to penetrate a specific international market. Each year the agency leads a number of outbound trips, where local businesses make contacts with potential customers and business partners in particular regions across the globe. MOITI has also conducted extensive market research in many countries, allowing it to identify distributors for specific products, put local businesses in contact with partners from various countries and assist businesses in dealing with legal and regulatory matters in unfamiliar markets.

MOITI is able to provide these services, in large part, because it has

offices in many of these regions. In addition to its headquarters in Boston, MOITI maintains an international presence with offices located in Berlin, Germany; Shanghai, China; Sao Paulo, Brazil; and Mexico City, Mexico. These offices create customized plans for Massachusetts companies looking to create business contacts, or expand their current operations in these countries as well as locating foreign investors and companies looking to do business in Massachusetts.

In its efforts to stimulate the Massachusetts economy MOITI goes beyond promoting the export of Massachusetts products. The agency's other primary function is to bring foreign money into the Commonwealth by convincing foreign businesses to set up shop here in Massachusetts and by convincing foreign investors to invest in Massachusetts companies. With over 40 corporate tax cuts in the last 20 years and a highly educated workforce,

Massachusetts offers unique benefits to foreign business owners who are looking to expand their operations into the United States. MOITI is the primary point of contact for businesses that wish to take advantage of these benefits, providing them with the information they need to successfully conduct business or make wise investments in the Commonwealth.

MOITI offers a wide range of services that are geared towards expanding the Massachusetts economy and helping small and medium sized businesses in the Commonwealth. Local businesses that are looking to expand beyond the borders of the United States or are interested in working with foreign companies or investors seeking to invest in Massachusetts should look into these services and the benefits they may provide.

For more information on MOITI contact J. Keith Phifer at (781) 848-5028 or kphifer@sabusinesslaw.com.

Overtime Penalties

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involved, then obviously this can become a potentially disastrous scenario for employers who made good faith mistakes.

Prior to passage of this Amendment to the Wage Act, treble damages were generally awarded only if an employer's conduct was found to be "willful" or "egregious", *i.e.*, the employer had the intent of cheating employees out of earned wages, however, beginning July 13, 2008, employers will be subject to treble damages regardless of intent. Employers will no longer be permitted to present evidence of intent and therefore all employers found to be in violation of the Wage Act for failure to properly pay overtime, vacation pay, etc., will be automatically subject to treble dam-

ages for *unintentional* violations of the Act.

Massachusetts has taken the position that it no longer cares if an employer has made an honest mistake with respect to wage claims by employees and, therefore, now more than ever, it is a priority of all employers to meet all Wage Act requirements.

Employers can reduce their risk of this potentially large exposure by conducting a review of their employment policies, *e.g.*, are employees receiving proper break time, are workers improperly classified as independent contracts, should salaried employees be earning overtime, are service employees getting their fair share of tips? Schlossberg & Associates, P.C. can assist you in conducting a thorough review of your employment policies. Please feel free to contact Michael T. O'Neil, Esq. to discuss 781-848-5028.