

A Century of Dispute

Emblem at the Heart of Battle Between American Red Cross, Johnson & Johnson

Johnson & Johnson, the behemoth pharmaceutical and health care company based in New Jersey, raised more than a few eyebrows in August when it sued the venerable American Red Cross in the U.S. District Court for the Southern District of New York. Media outlets such as *The Philadelphia Inquirer* and *The New York Times*, in addition to many legal publications, were quick to pick up the story, but the coverage has waned in the months since Johnson & Johnson initiated the lawsuit.

At issue in the dispute: The American Red Cross's licensing of the well-known Greek red cross emblem, long equated with the Red Cross's disaster relief work, to several third parties now selling commercial items ranging from first-aid kits sold at Target to hand sanitizers and medical examination gloves.

The dispute between Johnson & Johnson and the American Red Cross no doubt highlights the growing importance and potential dollars that licensing royalties can add to the bottom line of any organization that owns intellectual property, even one of the most well-known nonprofit disaster relief organizations in the world.

Johnson & Johnson, which alleges use of its similar Red Cross emblem since 1887 with an array of products including wound care products and first-aid kits (which themselves contain gloves, wipes, bandages, and creams), alleges that the Red Cross' license of its emblem for use with commercial products not only violates Johnson & Johnson's trademark rights but,

according to the lawsuit, also violates an 1895 agreement between the companies in which the American Red Cross acknowledged Johnson & Johnson's exclusive right to use the red cross emblem as a "trademark for chemical, surgical and pharmaceutical goods of every description."

The American Red Cross has responded that the alleged 1895 agreement never took effect because the agreement was conditioned upon the passage of a law that would have precluded Johnson & Johnson's continued use of the red cross emblem — a law that Congress never enacted.



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In its various press releases and legal filings in the matter, the American Red Cross contends that its licensing of the Red Cross emblem to third parties is consistent with its mission, that it has sold first aid kits commercially since 1903 and that "since

2004, the Red Cross has worked with several licensing partners to create first aid, preparedness and related products that bear the Red Cross emblem." The American Red Cross also makes sure to note that all royalties that it receives from the sale of such products are "reinvested in its humanitarian programs and services."

As to the dollars at issue, the American Red Cross alleges that it realized approximately \$2 million in revenue from the sale of licensed products in 2006, while Johnson & Johnson realized \$53.3 billion in total company revenue in 2006. In its own statements concerning the case, Johnson & Johnson also takes care to note that it has contributed more than \$5 million to the American Red Cross in the last three years.

The history of the red cross emblem is an interesting one, to say the least. Clara Barton founded the "American Association of the National Red Cross" in 1881 and began using the Red Cross emblem at that time, six years before Johnson & Johnson began using the emblem in connection with its commercial products in 1887. Congress chartered the American National Red Cross in 1900 and Congress concurrently made it a misdemeanor for any person or association to use the Red Cross name or emblem without permission.

While the issue of prior users of red cross emblems was discussed by Congress prior to the enactment of the 1900 law, the 1900 law was ultimately silent concerning pre-existing users of the red cross emblem, among which was Johnson & Johnson. By the time Congress revised the law in 1905, however, the number of trademark registrations with a Greek red cross had grown to 61, including several owned by Johnson & Johnson. But

again, Congress did not expressly recognize the rights of pre-existing users of the red cross emblem.

Finally, in response to the intense lobbying efforts of those who had used the red cross emblem prior to 1900, Congress cod-

ified in 1910 that the lawful use of the Red Cross name and emblem that began prior to January 5, 1905 could continue, but only if that use was “for the same purpose and for the same class of goods.”

In response, the American Red Cross argues that Johnson & Johnson now uses the Red Cross emblem in areas well beyond its “grandfathered” rights under the 1910 law.

By 1942, the number of companies claiming rights existing prior to January 5, 1905 had grown to more than 200. When the U.S. Criminal Code was recodified in 1948, the provision protecting the Red Cross emblem was moved from the Red Cross charter in Title 36 to Title 18. That law has carried through to today and criminal sanctions for misusing the Red Cross symbol can result in a fine of not more than \$250 or imprisonment of not more than six months.

According to the American Red Cross, the number of pre-1905 users of the red cross emblem has dwindled significantly over the last 65 years. In addition to Johnson & Johnson’s use of the mark on certain of its products, the American Red Cross identifies a Nine West brand of shoes, a toothache medicine, and a Red Cross brand of canned vegetables available in the Midwest.

The appeal of trademark licensing is well-established and has a long history in American business, beginning with the rise of mass entertainment, such as movies, comics and television. While Clara Barton probably could not have predicted that the red cross emblem she adopted for her organization in 1881 would some day allow her organization to realize millions of dollars in revenue, there is no question that licensing has allowed innumerable trademark owners to increase exposure for their brands and realize revenue from such exposure. Companies are willing to pay brand owners royalties of varying percentages and amounts on their sales of products in exchange for renting an established brand name or symbol. So successful has the process become that some companies like Harley-Davidson and Nathan’s make more money from licensing than from manufacturing their own products.

Thus, while eyebrows were certainly raised when Johnson & Johnson sued the American Red Cross, one can only assume that a sophisticated company like Johnson & Johnson carefully considered the negative media attention it would almost certainly receive as a result of initiating such a lawsuit against a disaster relief organization. That Johnson & Johnson was willing to accept this risk and the possibility of bad

press exemplifies that Johnson & Johnson probably viewed the alleged violation of its rights and its 112-year-old agreement with Clara Barton as a significant threat to its business and its own prospects for selling or licensing products bearing the red cross emblem.

While it seems that both parties would have an interest in resolving the dispute amicably, and the parties acknowledge prelawsuit efforts to do so, the facts and filings to date indicate intransigence on both sides.

And the dispute has all the signs of one

that could go the distance because the trademarks of both parties constitute significant assets, respectively.

And so the court may just get its chance to decipher the parties’ intentions — intentions with origins that date back to before motor cars were traveling down Market Street. ■

Jordan A. LaVine is a shareholder and head of the Trademark and Copyright section of the Intellectual Property Practice Group at Flaster/Greenberg P.C. in Philadelphia, Pennsylvania.

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