# TRADEMARK AND UNFAIR COMPETITION LAW: CASES AND MATERIALS

Fifth Edition

2016 Supplement

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# Chapter 1

## CONCEPTS OF TRADEMARKS AND UNFAIR COMPETITION

### B. TRADEMARKS

**Page 41**. **Replace the final sentence of Question 5 with the following sentence:**

*See Au-Tomotive Gold v. Volkswagen of America*, 603 F.3d 1133 (9th Cir. 2010), *infra* Chapter 8[C].

# Chapter 2

# WHAT IS A TRADEMARK?

## A. SUBJECT MATTER OF TRADEMARK PROTECTION

### 3. Trade Dress

**Page 78. Replace the final sentence in Question 3 with the following sentence:**

*See Louboutin v. Yves St. Laurent Am. Holding*, 709 F.3d 140 (2d Cir. 2012), *infra* Chapter 8[A].

**Page 82. Add new Question 3:**

**3.** Lepton markets the dietary supplement AllDaySlim through a website at www.alldayslim.com. The website features a blue and orange color scheme; a background image of a cloudy blue sky; before and after photos; charts graphically comparing customers' appearance, appetite, and energy before and after taking the supplement; a trial offer; and language guaranteeing customers' satisfaction. Lepton's competitor markets a competing supplement, SlimBlastFast, through its website, which Lepton claims copies all of these elements and therefore infringes Lepton's protected trade dress. Which of the elements of Lepton's website should be protected as trade dress? *See Lepton Labs LLC v. Walker*, 55 F. Supp. 3d 1230 (C.D. Cal.2014).

### 4. Other Identifying Indicia

**Page 84. Following the quotation from *In Re N.V Organon*, insert the following**:

In *In re Pohl-Boskamp GmbH & Co. KG*, 106 U.S.P.Q.2d 1042 (T.T.A.B. 2013), the Trademark Trial and Appeal Board rejected the scent and flavor of peppermint as trademarks for medication. "Most substances that are introduced into the mouth will create sensations of flavor and scent. Consumers are not predisposed to equate either flavor or scent with the source of the product ingested," the Board ruled. "Rather, they are predisposed to view such features as mere attributes of the product itself."

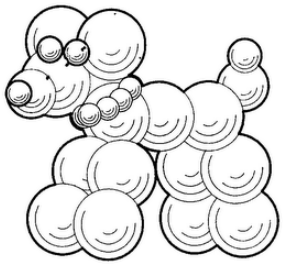
In *New York Pizzeria v. Syal*, 56 F. Supp. 3d 875 (S.D. Tex. 2014), plaintiff claimed that its "specially sourced branded ingredients and innovative preparation and preservation techniques" gave its pizza a distinctive flavor, which should be protected as its trademark. Plaintiff argued that defendant had used those ingredients and processes to produce a pizza with an infringingly similar flavor. The court declined to recognize the flavor of plaintiff's pizza as a trademark, concluding that "The flavor of food undoubtedly affects its quality, and is therefore a functional element of the product."

## B. DISTINCTIVENESS

### 1. Arbitrary, Fanciful, Suggestive, and Descriptive Terms

**Page 94. Insert the following before the Questions:**

**Nola Spice Designs v. Haydel Enterprises**, 783 F.3d 527 (5th Cir. 2015). During Mardi Gras, marchers in parades throw strands of plastic beads to onlookers. For many years, recipients of the strands have twisted the beads into the shapes of dogs and other animals. In 2009, a New Orleans bakery registered the phrase "Mardi Gras Bead Dog" and the following design mark for cakes, jewelry and clothing:



In 2012, the bakery sued a jewelry designer who sold sterling silver necklaces and earrings in the shape of bead dogs. The Court of Appeals for the Fifth Circuit concluded that both the phrase "Mardi Gras Bead Dog" and the design mark were merely descriptive of the common dog shape made from Mardi Gras beads, and that neither mark had acquired secondary meaning.

**Page 95. Insert the following at the end of Question 2:**

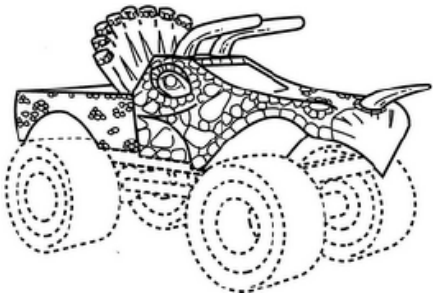
**r.** SWAP for interchangeable watchbands and faces. *See Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014) (*suggestive*).
**s.** NOPALEA for nutritional supplements containing nopal cactus juice. *See In re Trivita, Inc.,* 783 F.3d 872 (Fed. Cir. 2015) (*descriptive*).

**Page 102. Replace the first paragraph of Question 1 with the following paragraph:**

**1.** How should courts distinguish between product packaging and product design? In *In re Slokevage,* 441 F.3d 957 (Fed. Cir. 2006), the manufacturer of Flash Dare brand sportswear sought to register a mark consisting of the phrase "Flash Dare" flanked by two peek-a-boo holes in the rear hip area of the garment. The applicant argued that the mark was packaging; the court concluded that it was product design:

**Page 103. Renumber Question 2 as Question 3, and insert the following new Question 2:**

**2.** Frankish Enterprises seeks to register the following Monster Truck design as a service mark for the entertainment services of performing and competing in monster truck exhibitions:



As evidence of its use of the service mark in commerce, Frankish submitted photographs of one of its trucks in competition, including the following picture:

The Service Mark Examiner refused registration on the grounds that the design is not inherently distinctive and does not function as a service mark. On appeal,

Frankish argues that the fanciful prehistoric animal trade dress of its trucks is inherently distinctive. The design is neither a common shape nor a basic design, and it is unlike other monster truck designs. Frankish concedes that, under *Walmart v. Samara*, product designs may never be inherently distinctive. Frankish argues, however, that its mark is a service mark for entertainment services rather than a product design mark for goods. As a service mark, Frankish insists, it should be deemed inherently distinctive if it is unique in the monster truck field. How should the T.T.A.B. rule? *See In re Frankish Enterprises*, 113 U.S.P.Q.2d 1964 (T.T.A.B. 2015).

### 2. Secondary Meaning

**Page 109. Insert the following Question and case after Question 3:**

**4.** Beginning in 1998, the Blue Springs Water Company marketed bottled water under the name "Naturally Zero Canadian Natural Spring Water" in Illinois, Wisconsin, and Indiana. When the Coca Cola Company adopted COKE ZERO and SPRITE ZERO as marks for its zero-calorie sodas in 2004, Blue Springs filed suit for trademark infringement. Blue Springs concedes that its mark was initially merely descriptive. It insists, however, that the fact that it used the mark on bottled water for more than five years demonstrates that the mark acquired secondary meaning; that showing is buttressed by evidence that Coca Cola was aware of and intentionally copied the "Zero" mark. Coca Cola argues that Blue Springs' tiny market share and negligible advertising expenditures were insufficient to establish secondary meaning. How should the court rule? *See Baig v. Coca Cola,* 607 Fed. Appx. 557 (7th Cir. 2015).

**Adidas Am., Inc. v. Skechers USA, Inc.** 2016 U.S. Dist. LEXIS 17371 (D. Or. 2016). Adidas sued Skechers, claiming that three different Skechers shoes infringed adidas' trademarks and trade dress. The court found that "adidas is likely to succeed in establishing its right to enforce the marks and trade dress asserted here, including the unregistered Stan Smith trade dress (shown below):

*i) Whether adidas Holds Valid and Enforceable Marks*

. . . .

The key question is whether adidas's unregistered Stan Smith trade dress is valid and enforceable under the Lanham Act. An unregistered mark or trade dress, while not entitled to a presumption of validity, may still be protectable if its holder can demonstrate it is both 1) distinctive, and 2) nonfunctional. [Citations.]

*(1) Whether the Stan Smith Trade Dress is Distinctive*

….

A mark is distinctive if it is either 1) inherently distinctive, or 2) has acquired distinctiveness through secondary meaning. [*Walmart v. Samara Brothers*, 529 U.S. at] 210-11. "[A] a mark is inherently distinctive if its intrinsic nature serves to identify a particular source," such as "Camel" cigarettes, "Kodak" film, or "Tide" laundry detergent. Id. at 210 (internal quotation omitted). A mark acquires secondary meaning when "in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself." Id. at 211 (quotation and alteration omitted)….

Whether a particular trade dress has acquired secondary meaning is a question of fact. [Citation.] That inquiry is guided by a number of factors, including (1) whether actual purchasers associate the dress with the source, which can be shown through customer surveys; (2) the degree and manner of advertising of the trade dress; (3) the length and manner of use of the dress; (4) whether the party seeking protection has used the trade dress exclusively; (5) sales success of the trade dress; and (6) attempts by others to imitate. [Citations.]

adidas is likely to succeed in showing that the Stan Smith has acquired distinctiveness through secondary meaning. Since the early 1970s, adidas has used the Stan Smith mark exclusively and has expended significant capital and human resources promoting the shoe and its appearance. adidas executive Mr. Beaty testified about adidas's extensive marketing and promotion of the Stan Smith; in the past two years, adidas spent over $1 million in online and traditional advertising for the shoe. adidas engages in extensive

social media and other online campaigns to drive consumer engagement around the Stan Smith. adidas also reaps significant but difficult-to-quantify value from placing the Stan Smith with celebrities, musicians, athletes, and other "influencers" to drive consumer hype. …

Mr. Beaty testified that adidas has sold 40 million pairs of Stan Smiths worldwide, totaling tens of millions in sales. In 2014 and 2015 alone, adidas sold nearly 430,000 pairs of Stan Smiths, with a wholesale value of almost $20 million. These significant sales and advertising expenditures are evidence of the Stan Smith's secondary meaning. [Citations.]

adidas submitted numerous earned media articles and other clips from a range of sources as evidence of the iconic nature of the Stan Smith. One article announces the Stan Smith as 2014's "Shoe of the Year." Another explains "Why the adidas Stan Smith is the Most Important Sneaker of All-Time." Yet another spotted celebrities like David Beckham, Kendall Jenner, and Gwen Stefani sporting the Stan Smith as their sneaker of choice in the summer of 2015. The Stan Smith popped up as number four on a list of the "50 Greatest Tennis Sneakers of All Time," as one of the most Influential Sneaker Sponsorships in Sports History, and as number one on a list of the "10 Greatest Ever Trainers"…. The Stan Smith even got a shout out from hip-hop mogul Jay-Z on his album *The Blueprint*: "Lampin' in the Hamptons, the weekends man; the Stan Smith adidas and the Campus." These articles and pop culture references lend further support to the conclusion that the Stan Smith has acquired distinctiveness through secondary meaning. [Citations.]

Notably, Skechers own conduct suggests the Stan Smith has acquired distinctiveness through secondary meaning. The Skechers website was programmed in such a way that users who searched for "adidas stan smith" were directed to the page featuring the Skechers Onix shoe. The only reason "adidas stan smith" is a useful search term is that consumers associate the term with a distinctive and recognizable shoe made by adidas. [Citation.]

Finally, the Ninth Circuit has noted that "[p]roof of exact copying, without any opposing proof, can be sufficient to establish secondary meaning [since] there is no logical reason for the precise copying save an attempt to realize upon a secondary meaning that is in existence." [Citation.] Although Skechers points out minor differences between its Onix shoe and the Stan Smith—

that the Onix has five, not three, rows of perforations which extend in a different direction, and that its colored heel patch is a slightly darker shade of green—the unmistakable overall impression is two nearly identical shoes. The reasonable inference to draw is that Skechers copied the overall look of the adidas shoe to realize upon the Stan Smith's secondary meaning. [Citation.]

. . . .

**Page 114. Replace Question 1 with the following Question:**

**1.** The courts in *Smack Apparel*, *Adidas v. Skecher*, and *Chrysler v. Moda Group* all use multi-factor tests to determine whether a mark has acquired secondary meaning. The factors overlap considerably, but are not identical. Is there a meaningful difference among the three tests? Which of the facts strike you as most nearly probative of secondary meaning?

**Page 115. Insert new Question 5:**

**5.** For the past thirty years, Louisiana Fish Fry Products has been using the following mark, and the slogan "Louisiana Fish Fry Products Bring the Taste of Louisiana Home," for its marinades, sauces and sauce mixes:


When the company sought to register the mark, the Trademark Examiner refused registration unless the application disclaimed any trademark interest in the phrase "Fish Fry Products," because the phrase was either generic or highly descriptive, and the applicant had failed to show distinctiveness. Is the phrase "fish fry products" generic or descriptive? If "Fish Fry Products" is descriptive, what evidence would the company need to show to demonstrate secondary meaning? *See In Re Louisiana Fish Fry Products, Ltd.* 797 F.3d 1332 (Fed Cir. 2015).

# Chapter 3

# USE AND OWNERSHIP

## B. OWNERSHIP

**Page 132. After *Crystal Entertainment & Filmworks*, add the following case:**

**Commodores Entertainment Corporation v. McClary**, 2016 US App LEXIS 6836 (11th Cir. 2016). In the 1970s, Lionel Ritchie, Thomas McClary, and four other musicians formed the funk/soul band, The Commodores. In the early 1980s, both Richie and McClary left the band to pursue other opportunities. Other musicians replaced them, and the band continued to perform and record. The Commodores Entertainment Corporation [CEC] registered the THE COMMODORES mark as both a service mark for entertainment services and a trademark for recorded music in 2001. In 2014, McClary began to perform with a band he called "The Commodores featuring Thomas McClary," playing music that included old Commodores hits. CEC filed suit against McClary; McClary then filed a petition in the USPTO to cancel CEC's registration of the COMMODORES marks. The district court granted CEC's motion for a preliminary injunction, finding that the members of the group who continued to perform as The Commodores owned the common law mark, because the musicians who stayed with the group continued to control the nature and quality of the mark, and that McClary's continued use of the mark was likely to cause confusion. McClary appealed. The Court of Appeals for the 11th Circuit affirmed:

> [W] e find no error in the district court's finding that the members who remained with the group and controlled the quality and reputation of the marks had the common law rights to the marks, not Appellants. *See Crystal [Entertainment v. Jurado*], 643 F.3d at 1320 (holding that a company that originally formed a band did not own rights to the band's mark because, *inter alia*, the company failed to exercise control over the band); *see also Robi v. Reed*, 173 F.3d 736, 740 (9th Cir. 1999) (noting that an original founding member of the group who "remained and performed with it from its inception" retained the right to use the mark to the exclusion of a band member who left).

**Page 136. Add to the end of Question 1:**

Litigation over the ownership of THE PLATTERS service mark has continued. In *Herb Reed Enterprises LLC v. Florida Entertainment Management, Inc*., 736 F.3d 1239 (9th Cir. 2013), *infra* this Supplement Chapter 12, the Court of Appeals for the Ninth Circuit reversed the decision of the Nevada District Court granting a preliminary injunction to Herb Reed Enterprises, holding that while Reed's corporation had shown a likelihood of success on the merits of its infringement claim, it had failed to demonstrate irreparable harm. On remand, the district court judge concluded that Herb Reed Enterprises had shown that Reed was a founding member of The Platters and the only person to have remained and performed with the original group from its inception through its demise, and had continued to use the mark until his death. That satisfied the court that Reed was the owner of the mark. Defendants' use of THE PLATTERS was likely to cause confusion. The court therefore granted Herb Reed Enterprises' motion for summary judgment. *Herb Reed Enterprises LLC v. Florida Entertainment Management, Inc.*, 2014 US Dist LEXIS 45564 (D. Nev. 2014). Herb Reed Enterprises also prevailed in a suit against a different group performing as "The World Famous Platters." *See Herb Reed Enterprises, LLC v. The World Famous Platters Road Shows I LLC*, 2014 U.S. Dist LEXIS 22046 (M.D. Fla 2014).

## C. "USE IN COMMERCE"

**Page 138. Insert the following case before *In re Dell, Inc.*:**

**Couture v. Playdom**, 778 F.3d 1379 (Fed. Cir. 2015). In 2009, David Couture registered the PLAYDOM mark as a service mark for entertainment services. As proof of use in commerce, Couture submitted a screen capture of a website at playdominc.com that included a "website under construction" notice, and also said, "Welcome to PlaydomInc.com. We are proud to offer writing and production services for motion picture film, television, and new media. Please feel free to contact us if you are interested: playdominc@gmail.com." Although Couture offered to provide entertainment services before applying to register the mark, he didn't actually render the services until 2010. In the meantime, a different service had adopted the PLAYDOM mark for entertainment services. That company petitioned to cancel Couture's registration, arguing that because he had offered but not yet rendered services under the PLAYDOM mark, he had failed to use the service mark in commerce at the time of his registration application. The Court of Appeals for the Federal Circuit agreed:

We have not previously had occasion to directly address whether the offering of a service, without the actual provision of a service, is sufficient to constitute use in commerce under Lanham Act § 45, 15 U.S.C. § 1127…. On its face, the statute is clear that a mark for services is used in commerce only when *both* [1] "it is used or displayed in the sale or advertising of services and [2] the services are rendered . . . ." 15 U.S.C. § 1127 (emphasis added). This statutory language reflects the nature of trademark rights:

> There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed. . . . [T]he right to a particular mark grows out of its use, not its mere adoption . . . ."

*United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

Other circuits have interpreted Lanham Act § 45 as requiring actual provision of services….The Board in this case and the leading treatise on trademarks also agree that rendering services requires actual provision of services. *See* McCarthy on Trademarks and Unfair Competition § 19:103 (4th ed. Supp. 2013) ("To qualify for registration, the Lanham Act requires that the mark be both used in the sale or advertising of services *and* that the services themselves have been rendered in interstate or foreign commerce." (emphasis in original)).

Here, there is no evidence in the record showing that appellant rendered services to any customer before 2010, and the cancellation of appellant's registration was appropriate.

**Page 149. After the Questions, add the following case and Questions:**

**Paleteria La Michoacana v. Productos Lacteos Tocumbo,** 69 F. Supp. 3d 175 (D.D.C. 2014), *reconsideration denied*, 79 F. Supp. 3d 60 (D.D.C. 2015), *subsequent opinion at* 2016 U.S. Dist. LEXIS 69621 (D.D.C. 2016). Two companies sought to use similar marks for Mexican-style ice cream treats. One of the companies, Prolacto, claimed to have used its mark in Mexico since the 1940s, and had licensed some United States sales under the mark beginning in 1999. The other company, Paleteria La Michoacana [PLM], had sold ice cream products within the United States under its mark since 1991. Prolacto claimed that the famous mark doctrine recognized in

*Grupo Gigante v. Dallo* entitled it to prevail over PLM. The District Court disagreed:

> It is axiomatic that under United States trademark law, a party establishes valid ownership of a mark by being the first to use that mark in commerce. [Citations.] It also is a basic tenet of American trademark law that foreign use of a mark creates no cognizable right to use that mark within the United States. [Citations]. This is known as the "territoriality principle," through which "trademark rights exist in each country solely according to that country's statutory scheme." *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990); *see also Aktieselskabet AF 21. Nov. 2001 v. Fame Jeans, Inc.*, 511 F. Supp. 2d 1, 12 n.5 (D.D.C. 2007). As such, the "`[p]riority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world.'" *See Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1093 (9th Cir. 2004) (quoting 3 McCarthy on Trademarks § 29:2 (4th ed.) (internal footnote omitted)).
>
> There is, however, a narrow yet divisive disturbance to the force of the territoriality principle. This is the so-called "famous mark" or "well-known mark" doctrine, under which a mark may be deemed so well-known in a particular American market — despite no actual commercial use in the market — that the territoriality principle is disregarded and priority is established through reputation rather than actual use in the United States. *See id.* at 1094. The gist of the famous mark doctrine is that "even those who use marks in other countries can sometimes — when their marks are famous enough — gain exclusive rights to the marks in this country." *Id*. at 1095.
>
> But to date, this exception has been adopted only within one federal circuit following a decision by the U.S. Court of Appeals for the Ninth Circuit. The Ninth Circuit panel justified embracing the doctrine in *Grupo Gigante* largely on policy grounds: "An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark is, at its core, about protecting against consumer confusion and 'palming off.'" *Grupo Gigante*, 391 F.3d at 1094. Before and since *Grupo Gigante*, however, no other federal circuit court has adopted such a doctrine, though the exception has been recognized in the past by the T.T.A.B.

The U.S. Court of Appeals for the Second Circuit, on the other hand, has explicitly rejected the doctrine. *See generally ITC Ltd. v. Punchgini, Inc*., 482 F.3d 135 (2d Cir. 2007). …In *ITC v. Punchgini*, the Second Circuit concluded that the Lanham Act lacked an express recognition of the famous mark doctrine as embodied in the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights. Because the operative American trademark statute did not recognize the rule in so many words, the court concluded that it was not part of federal law. In reaching this conclusion, the court rejected an argument that the famous mark rule is implicit in the structure of the Lanham Act, as advocated by Professor McCarthy. Finally, although the court acknowledged the strong policy rationales for incorporating the doctrine into federal law, it concluded that those arguments must be directed to Congress, not the courts.

Though there are robust arguments on both sides regarding the famous mark doctrine — including legitimate concerns over the need to protect famous international marks as commerce becomes increasingly globalized and interconnected — the Court need not decide whether to recognize the rule at this time because PROLACTO does not come close to establishing the necessary fame of its marks within the United States for the doctrine to apply. Without doubt, absent the famous mark doctrine, foreign trademark owners are at risk of having their marks adopted in the United States by a seller who wants American consumers to believe they are buying the products of a well-known foreign company. But there must be a limit to the reach of such a doctrine, as not every foreign mark is famous enough within the United States to warrant legal protection.

PROLACTO spends significant portions of its already-extensive summary judgment briefing and statement of facts discussing the company's long history in Mexico and how PLM allegedly knew of this history when it adopted the relevant marks. But such facts are, of course, irrelevant even under the famous mark doctrine: although the rule alters the historical requirement that only use within the United States establishes priority, it still demands that a mark achieve some level of awareness within this country. Thus, even assuming this Court was to recognize the doctrine, prior use and fame within a foreign country are immaterial under the famous mark doctrine except insofar as that familiarity actually permeates into the United States at such a critical level that it qualifies for legal protection.

> ….
>
> Returning to the evidence in the present case, … PROLACTO appears to seek nationwide priority of its marks through the famous mark doctrine. But PROLACTO fails to provide evidence demonstrating sufficient familiarity with the marks in any relevant United States market, let alone across the entire country.

*Paleteria La Michoacana v. Productos Lacteos Tocumbo*, 69 F. Supp. 3d at 201-04.

At the ensuing bench trial, Prolacto offered a fall-back argument: It claimed that PLM could not itself have acquired rights in the contested trademarks, because it adopted and used them knowing that they had been used for similar products in Mexico. PLM's use of the marks was therefore a bad faith attempt to capitalize on Prolacto's goodwill among customers familiar with its Mexican products. The court found that PLM was the senior U.S. user of the mark. Although PLM had been aware of the use of similar marks in Mexico, and had chosen its marks because of their use in Mexico, the court concluded that PLM had nonetheless adopted the marks in good faith because it believed that the marks were used by multiple Mexican ice cream treat producers, and did not designate any single source. It declined Prolacto's invitation to hold that PLM's knowledge of prior foreign use of a mark prevented it from acquiring trademark priority over a prior foreign user:

> PROLACTO has not been able to provide, nor can the Court locate, any case in which a court has denied a national senior user rights in a mark because the mark was previously used outside of the United States and the national senior user adopted the mark in bad faith. Indeed, one leading treatise states: "In general, United States law grants United States mark-rights to a mark's first United States user even when such user is intentionally imitating a mark used by another in a foreign country." 3 Louis Altman & Malla Pollack, *Callman on Unfair Competition, Trademarks and Monopolies* § 20:13 (4th ed. 2014).
>
> ….
>
> PROLACTO has asked the Court to enter uncharted waters. If the Court were to hold that PLM was not entitled to any rights in its marks on the basis of bad faith, despite the fact that it was first to use its marks in the United States, it would appear that the Court would be the first to do so in the history of American trademark law. Though it is dubious of the legal validity of PROLACTO's proffered theory, the Court will, for purposes of its analysis, assume, without deciding, that

> the following is valid: if a party adopts a mark in the United States that has been previously used in a foreign country and engages in various forms of advertising with the intention of benefitting from the foreign user's goodwill and reputation by deceiving consumers as to the true origin of its products—even if the foreign user has never used the mark in commerce in the United States and even if the foreign mark does not meet the requisite level of "fame" under the famous mark doctrine—then the party cannot obtain rights to the mark.
>
> On the Court's findings of fact, this legal theory is inapplicable. The Court has found that although [owners of PLM] adopted the name "La Michoacana" because they had seen the name in Mexico, they did not believe that the term denoted a single source of product in Mexico. The Court has also found that, in the United States, the name does not, in fact, denote a single source of product. The Court has found that although Ignacio Gutierrez copied PLM's Indian Girl mark from similar marks that he had seen in Mexico and adopted it because he thought PLM's target consumers would recognize the mark, he did not believe that, in Mexico, the mark denoted a single source of product, but, rather, believed that the mark was used indiscriminately by a variety of paleterias in Mexico….
>
> On these facts, the Court cannot find any legal basis to hold, without precedent, that PLM, as the national senior user, has no rights in its marks.

*Paleteria La Michoacana v. Productos Lacteos Tocumbo*, 2016 U.S. Dist. LEXIS at *151-*159.

## QUESTIONS

**1.** Should it matter whether PLM knew that the marks denoted a single product source in Mexico when the company adopted them in the United States? Why or why not?

**2.** Bayer has marketed FLANAX brand analgesic in Mexico since the 1970s, but does not sell any FLANAX brand product in the United States. Belmora introduced a line of analgesic products in the United States under the FLANAX brandname in 2002. Belmora's packaging of its FLANAX products greatly resembles the trade dress of Bayer's Mexican FLANAX. Bayer argues that Belmora's use of the FLANAX mark and similar trade dress deceives the public by implying that its product is the same as Bayer's. Belmora argues that since Bayer has never marketed FLANAX analgesic in the United States, it owns no cognizable trademark interest in the word or associated packaging. How should the court

rule? *See Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016), *infra* this Supplement in Chapter 7.

## E. PRIORITY

**Page 160. Before the Questions, add the following case:**

**Hana Financial v. Hana Bank**, 135 S. Ct. 907 (2015). Two financial services companies used the HANA service mark. Hana Bank began using the HANA mark in Korea in 1991. In 1994, it began offering services to Korea expatriates in the United States under the mark HANA OVERSEAS KOREAN CLUB. In 2000, Hana Bank changed the name of that service to HANA WORLD CENTER. In 2006, it opened a bank in the United States under the name HANA BANK. Hana Financial first rendered services in commerce under the HANA FINANCIAL mark in 1995, and registered the service mark in 1996. In 1997, it sued Hana Bank for trademark infringement. Hana Bank argued that it should be able to rely on its prior uses of marks incorporating HANA to establish priority over Hana Financial. The district court instructed the jury that:

> "A party may claim priority in a mark based on the first use date of a similar but technically distinct mark where the previously used mark is the legal equivalent of the mark in question."

The jury returned a verdict in favor of Hana Bank, and Hana Financial appealed, arguing that the question of tacking should be determined as a matter of law by a judge rather than by a jury. The Court of Appeals for the 9th Circuit upheld the jury verdict, and Hana Financial petitioned the Supreme Court for certiorari. A unanimous Supreme Court affirmed:

> Rights in a trademark are determined by the date of the mark's first use in commerce. The party who first uses a mark in commerce is said to have priority over other users. Recognizing that trademark users ought to be permitted to make certain modifications to their marks over time without losing priority, lower courts have provided that, in limited circumstances, a party may clothe a new mark with the priority position of an older mark. This doctrine is called "tacking," and lower courts have found tacking to be available when the original and revised marks are "legal equivalents" in that they create the same, continuing commercial impression. The question presented here is whether a judge or a jury should determine whether tacking is available in a given case. Because the tacking inquiry operates from the perspective of an ordinary purchaser or consumer, we hold that a jury should make this determination. …

**Page 161. Add new Question 3:**

**3.** The U.S. National Park Service operates Yosemite National Park. From 1993 to 2016, private company DNC provided hotel, restaurant, retail shop and other concession services at the park under a contract with the National Park Service. DNC operated a number of tourist sites at Yosemite, including a hotel and downhill ski resort at Yosemite's Badger Pass and rustic cabins at the park's Curry Village. Before DNC took over, concession services had been provided by the Curry Company. After being awarded the contract, DNC purchased the Curry Company in 1993 in order to acquire possession of the buildings and other property that Curry had built over many years of providing concession services at Yosemite. In 2003, without informing the park Service, DNC registered YOSEMITE NATIONAL PARK, BADGER PASS, and CURRY VILLAGE as service marks for hotel, golf, and and restaurant services and trademarks for pens, stickers, coffee mugs and apparel, claiming that the Curry Company had established ownership of the marks by using them in commerce for many years. The concession contract with DNC expired in February of 2016, and the Park Service awarded the concessions to a different company. DNC insists that the new company must either purchase its valuable trademarks and service marks, or call the concession services and souvenirs sold at the park by different names. What legal advice would you give to the Park Service? *See DNC Parks & Resorts at Yosemite, Inc. v. United States*, No. 15-cv-1034 (Ct. Claims, filed Sept. 17, 2015).

## F. CONCURRENT USE

**Page 174. Add the following case after *Dawn Donut v. Hart's Food Stores*:**

**Guthrie Healthcare Sys. v. ContextMedia, Inc**., 2016 U.S. App. LEXIS 10662 (2d Cir. 2016). The Court of Appeals for the Second Circuit distinguished *Dawn Donut* in a case involving two healthcare businesses, which had adopted very similar logos. Plaintiff Guthrie HealthCare Systems operated more than 30 medical facilities in Pennsylvania and New York, and recruited its doctors, nurses, and students nationwide. Defendant ContextMedia delivered health-related video content to doctors' officers in all 50 states. In 2001, Guthrie adopted a logo featuring a stylized human figure superimposed on a three-color shield. In 2008, ContextMedia began using a very similar logo. The district court found that there was a likelihood of confusion between the marks within Guthrie's service area, but no likelihood of confusion outside of New York and Pennslyvania. The court therefore enjoined ContextMedia from using the logo in plaintiff's service area, but refused to enjoin its use of the logo outside of that area. Guthrie appealed and the Second Circuit reversed:

> It is correct that a senior user must prove a probability of confusion in order to win an injunction. But it does not follow that the injunction

may extend only into areas for which the senior user has shown probability of confusion. It is not as if the senior user must prove a new claim of infringement for each geographic area in which it seeks injunctive relief. Once the senior user has proven entitlement to an injunction, the scope of the injunction should be governed by a variety of equitable factors—the principal concern ordinarily being providing the injured senior user with reasonable protection from the junior user's infringement. Of course, if the junior user demonstrates that in a particular geographic area there is no likelihood of confusion, ordinarily no useful purpose would be served by extending the injunction into that area, potentially inflicting great harm on the junior user without meaningful justification. *See Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364-65 (2d Cir. 1959) (upholding the district court's finding that, "in view of the plaintiff's inactivity for about thirty years in exploiting its trademarks in defendant's trading area at the retail level ... there was no reasonable expectation that plaintiff would extend its retail operations into defendant's trading area").

....

Defendant's reliance on *Dawn Donut* is misplaced for several reasons. In that case, the absence of likelihood of confusion was *proven by the defendant* by showing that in 30 years of operation the plaintiff had never sought to use its mark in the defendant's area. The court noted that there was "ample evidence" supporting the absence of likelihood of confusion. *Dawn Donut Co.*, 267 F.2d at 365. Furthermore, the court ruled that, if the plaintiff later made a showing of intent to use the mark in the defendant's market area, then the plaintiff "may later ... be entitled to enjoin defendant's use of the mark." *Id.* Finally, *Dawn Donut*, did not present the problem, like this case, of a plaintiff who has shown entitlement to an injunction in one geographic area and seeks to have the injunction extend beyond as well. It therefore has no pertinence to the question at issue here.

# Chapter 4

# REGISTRATION OF TRADEMARKS

## A. THE BASES AND PROCESS

**Page 179. Delete Note: "The Policies Underlying 'Intent To Use'" and add the following case:**

**M.Z. BERGER & CO., INC. v. SWATCH AG**
787 F.3d 1368 (Fed. Cir. 2015)

CHEN, CIRCUIT JUDGE.

M.Z. Berger & Co., Inc. (Berger) appeals from the … decision to sustain an opposition on grounds that Berger, at the time of its application for the mark "iWatch," lacked a bona fide intent to use the mark in commerce under Section 1(b)(1) of the Lanham Act, 15 U.S.C. § 1051(b)(1). The Board concluded that Berger merely intended to reserve a right in the mark and thus lacked the requisite intent. Because substantial evidence supports the Board's determination, we affirm.*

I. BACKGROUND

Berger is a business that manufactures, imports, and sells watches, clocks, and personal care products. On July 5, 2007, it filed an intent-to-use application at the Patent and Trademark Office (PTO), … to register the mark "iWatch" for over thirty different goods, each of which belongs to one of three general categories: watches, clocks, and goods related to watches and/or clocks (e.g., clock dials, watch bands, and watch straps).

...

… With respect to Berger's intent to use the iWatch mark on two of the categories, clocks and goods related to watches/clocks, the Board considered the testimony of Berger's owner and CEO, Bernard Mermelstein. Mr. Mermelstein not only created the iWatch mark and instructed that the trademark application be filed, but he was Berger's sole witness designated under Federal Rule of Civil Procedure 30(b)(6). The Board thus treated Mr. Mermelstein's testimony as representing the views of the company at the time the application was filed.

… Mr. Mermelstein testified …:

> Q. Are there other products other than watches that you anticipate for use with the iWatch mark?
>
> A. No.

Mr. Mermelstein further testified:

> Q. At the time you filed the application you didn't expect the iWatch mark to be used for clocks and personal care products?
>
> A. No. Correct.

Berger's paralegal who filed the application, Monica Titera, testified that Mr. Mermelstein instructed her to register the mark only for watches and clocks. When asked why the other related goods were identified in the application, Ms. Titera claimed that the list was "standard" and used to "leave all doors open." Based on Mr. Mermelstein's and Ms. Titera's testimonies, the Board concluded that Berger lacked a genuine intent to use the mark on clocks and related goods.

…[T]he Board also concluded that Berger lacked a genuine plan to commercialize the iWatch mark on [watches]. The Board … found that such [documentary] evidence did not demonstrate intent because the documents related solely to prosecution of the trademark application. As for the testimonial evidence presented by Berger, the Board found that Berger's employees failed to tell a consistent story about the company's intent at the time the application was filed. The Board lastly considered the company's long history in the watch business, but found that Berger's inaction with respect to a potential iWatch product diminished the value of such evidence.

...

II. DISCUSSION

...

B

The Trademark Law Revision Act of 1988 (TLRA) contemplated the very scenario presented by this case. The TLRA changed the Lanham Act by permitting applicants to begin the registration process before actual use of the mark in commerce at the time of filing, so long as the applicant had a "*bona fide intention* . . . to use [the] mark in commerce" at a later date. 15 U.S.C. § 1051(b)(1) (emphasis added).

The prior version of the Lanham Act required that a trademark applicant already be using the mark in commerce at the time of the application's filing to qualify for trademark registration. [Citation.] This requirement, however, led to the practice of some applicants engineering a "token use," which refers to the most minimal use of a trademark, designed purely to secure rights in that mark before an applicant is truly prepared to commercialize a good or service in connection with a given mark. In the legislative record of the TLRA, Congress noted that token use was problematic for a number of reasons, including that such uses were not uniformly available across industries. S. REP. No. 100-515 ("Senate Report"), at 6 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5582. For example, token use for large or expensive products, such as airplanes, or for service industries was "virtually impossible." *Id.* Another problem was that the rules allowed registration based on minimal use, which led to an undesirable surplus of registered but virtually unused marks. *Id.* On the other hand, Congress also recognized that the use requirement placed

"significant legal risks on the introduction of new products and services" and disadvantaged certain industries and smaller companies in the marketplace. *Id.* at 5. An applicant already using a mark in commerce risks, for example, potential infringement of a competitor's pre-existing mark prior to being able to begin the process of securing its own rights.

…To address the problem of "token use," the TLRA heightened the burden for use applications by requiring that an applicant's use be "*bona fide use* of [the] mark in the ordinary course of trade." [Citation.] Concurrently, the TLRA lowered the bar to starting registration by allowing applicants to proceed on the basis that they have a "bona fide intention to use the mark in commerce" at a later date. 15 U.S.C. § 1051(b)(1); *see* H.R. REP. NO. 100-1028 ("House Report"), at 8-9 (1988) ("By permitting applicants to seek protection of their marks through an 'intent to use' system, there should be no need for 'token use' of a mark simply to provide a basis for an application. The use of the term 'bona fide' is meant to eliminate such 'token use' and to require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a real and legitimate commercial sense."); [citation].

...

C

… Because a bona fide intent to use the mark in commerce is a statutory requirement of a valid intent-to-use trademark application under Section 1(b), the lack of such intent is a basis on which an opposer may challenge an applicant's mark. We note that the one other circuit court to address this issue has likewise so held. *Aktieselskabet AF 21. Nov. 2001 v. Fame Jeans Inc.,* 525 F.3d 8, 21, 381 U.S. App. D.C. 76 (D.C. Cir. 2008).

D

...

There is no statutory definition of the term "bona fide," but the language is clear on its face that an applicant's intent must be "under circumstances showing the good faith of such person." *Id.* Th[is] reference …strongly suggests that the applicant's intent must be demonstrable and more than a mere subjective belief. Both the PTO and the leading treatise on trademark law have arrived at this same understanding. *See Lane*, 33 U.S.P.Q.2d at 1355; 3 *McCarthy on Trademarks* § 19.14, at 19.48 ("Congress did not intend the issue to be resolved simply by an officer of the applicant later testifying, 'Yes, indeed, at the time we filed that application, I did truly intend to use the mark at some time in the future.'").

This interpretation is confirmed by the legislative history, where Congress made clear that whether an applicant's intent is "bona fide" should be assessed on an objective basis:

> … In connection with this bill, *"bona fide" should be read to mean a fair, objective determination of the applicant's intent* based on all the circumstances.

Senate Report at 24 (emphasis added); *see also id.* at 23 ("Bona fide intent is measured by objective factors."); House Report at 8-9 ("The use of the term 'bona fide' is meant to . . . require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a real and legitimate commercial sense."). In addition, an applicant's intent must reflect an intention to use the mark consistent with the Lanham Act's definition of "use in commerce":

> [T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127; *see also* Senate Report at 24-25 (quoting the definition). The applicant's intention to use the mark in commerce must have been "firm." Senate Report at 24.

Neither the statute nor the legislative history indicates the specific quantum or type of objective evidence required to meet the bar. Indeed, Congress expressly rejected inclusion of a statutory definition for "bona fide" in order to preserve "the flexibility which is vital to the proper operation of the trademark registration system." *Id.*

Accordingly, we hold that whether an applicant had a "bona fide intent" to use the mark in commerce at the time of the application requires objective evidence of intent. 15 U.S.C. § 1051(b)(1). Although the evidentiary bar is not high, the circumstances must indicate that the applicant's intent to use the mark was firm and not merely intent to reserve a right in the mark. *See id.* § 1127; *see also* Senate Report at 24-25. The Board may make such determinations on a case-by-case basis considering the totality of the circumstances.

III. M.Z. BERGER'S APPEAL

A

...Berger's arguments hinge on its belief that the Board should have found the intent requirement satisfied because Berger offered *some* objective evidence in support of its position. Viewed in isolation, the evidence Berger prefers to focus on could perhaps lead a reasonable fact-finder to conclude there was bona fide intent. As discussed above, however, all circumstances regarding an applicant's bona fide intent must be considered, including those facts that would tend to disprove that Berger had the requisite intent. 15 U.S.C. § 1051(b)(1); [citation].

Here …we find that substantial evidence supports the Board's conclusion… [W]e agree …that the documentary evidence offered by Berger appears to relate only to the prosecution of the trademark application. *See Opinion* at 1474-75 (citing *Research In Motion Ltd. v. NBOR Corp.*, 92 U.S.P.Q.2d (BNA) 1926, 1931 (T.T.A.B. 2009) ("If the filing and prosecution of a trademark application constituted a bona fide intent to use a mark, then in effect, lack of a bona fide intent to use would never be a ground for opposition or cancellation, since an *inter partes* proceeding can only be brought if the defendant has filed an application.")). The paralegal who

performed the trademark search testified that such searches are routinely conducted before Berger files a trademark so that Berger does not waste time filing an application on an unavailable mark. It is undisputed that the internal email relaying the substance of a discussion with the trademark examining attorney also relates to the application. The other internal emails, which forwarded the images of two watches and a clock bearing the mark, were undisputedly submitted to the PTO in response to the trademark examining attorney's request for documents showing how the mark would be used.

Faced with conflicting statements from Berger witnesses about whether the images were created for prosecution or for business reasons evidencing intent, the Board exercised its discretion in crediting the testimony of Mr. Mermelstein, Berger's Rule 30(b)(6) witness, over that of other Berger employees. (relying on Mr. Mermelstein's admissions that the images were created for the trademark application).... [T]he Board reasonably determined that such images were likely created with an intention to advance the prosecution of the trademark application rather than an intention to move forward on an actual product in commerce….Mr. Mermelstein admitted that there was no intent to use the iWatch mark for clocks, and Ms. Titera conceded that the other accessories and related goods were only designated to leave Berger's options open.

With respect to watches, the Board considered conflicting testimony about Berger's alleged meeting with a buyer, as well as whether the watch would be technological in nature. The Board was within its discretion to disagree with Berger's bottom-line position that it possessed a bona fide intent, given the inability of the Berger witnesses to pull together a consistent story on a number of issues, e.g., would the watch be technological, did actual physical samples exist, were potential customers ever consulted. Critically, Mr. Mermelstein all but conceded that Berger had not yet made a firm decision to use the mark in commerce at the time of its application. ("[I]f [Berger] decided to do a -- either a technology watch or information watch or something that would have that type of characteristics that [iWatch] would be a good mark for it."). *See, e.g., Research in Motion*, 92 U.S.P.Q.2d at 1931 (applicant's stated belief that the mark would be "a good mark for future use" does not establish a bona fide intent to use).

We also find unavailing Berger's contention that the Board ignored Berger's history in the watch industry. The Board did consider Berger's past but noted that even though the iWatch mark was allegedly to be used with a "smart" watch, Berger had never made such a watch and took no steps following the application to develop such a watch. We find no error with the Board's determination that there was no nexus between Berger's general capacity to produce watches and the capacity required to produce a "smart" watch.

...

The bar for showing a bona fide intent is not high. But in our view, considering the inconsistent testimony offered by Berger employees and the general lack of documentary support, substantial evidence supports the Board's conclusion that

Berger's intent at the time of the application was merely to reserve a right in the mark, and not a bona fide intent to use the mark in commerce.

B

… Berger contends the Board erred by applying a more stringent threshold for bona fide intent than required by statute or by the PTO's regulations and procedures.

We disagree. Nowhere did the Board state that the applicable standard requires an applicant to have actually promoted, developed, and marketed the mark at the time of the application…. To the contrary, the Board's opinion reflects that it reached its conclusions by considering all the relevant facts and circumstances, including those that indicated Berger lacked intent. This is indeed the proper inquiry under the Lanham Act. 15 U.S.C. § 1051(b)(1) (intent to use must be "under circumstances showing the good faith of such person").

...

We find that the Board did not err in its application of the standard for bona fide intent. As discussed *supra*, whether an applicant has a bona fide intent to use a mark in commerce is an objective inquiry based on the totality of the circumstances. The Board conducted such an inquiry.

…

AFFIRMED

**Page 180. Insert the following text at the end of Question 1 and delete Question 2:**

What if a subsidiary company assigns an ITU application to its parent company without assigning any part of the business? Should the fact that the parent in some sense owns the business of the subsidiary make a difference as to whether the assignment is valid? *See Central Garden & Pet Co. v. Doskocil Mfg. Co.*, 108 U.S.P.Q.2d 1134 (T.T.A.B. 2013) (Board held assignment invalid).

**Page 182. Add the following Question after Note: U.S. Registration Under Section 44:**

**QUESTION**

A Cuban company sells its COHIBA cigars all over the world but cannot sell them in the U.S. due to the Cuban Assets Control Regulations, which remain in effect

despite the move toward normalization of relations between the U.S. and Cuba. Should it be able to register its COHIBA mark in the U.S. under section 44(e) based on its Cuban registration? Would it have the requisite bona fide intent to use the mark in commerce? *See generally Empresa Cubana del Tobaco v. General Cigar Co.*, 753 F.3d 1270 (Fed. Cir. 2014) (court noted propriety of section 44(e) application but did not address bona fide intent question).

**Page 183. Add the following Question after "Madrid Protocol Extensions to the U.S.":**

**QUESTION**

Applicants that file based on a foreign application or registration under section 44 or that extend an international registration to the U.S. under section 66 are also required to declare a bona fide intention to use the mark in commerce for the covered goods or services. Should evidence about activities outside the U.S. be considered in determining such applicants' bona fide intent to use in mark in U.S. commerce? *See Honda Motor Co. v. Winkelmann*, 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009).

**Page 185. (e) Filing Fee.** *Editors' Note:* A $225 filing fee per class also now applies if the identification of goods/services falls within the Trademark Office's Acceptable Identification of Goods and Services list. The PTO has also recently proposed changes in the filing fees that, if accepted, could come into effect in 2017.

**Page 189. Add the following citation at the end of point 6:**

*See Int'l. Watchman, Inc. v. NATO Strap Co.*, 62 F. Supp.3d 674 (N.D. Ohio 2014) (denied defendant's summary judgment motion on the ground that plaintiff's NATO mark for watches was not generic; court relied on presumption of validity of plaintiff's registrations and insufficient rebuttal evidence proffered by defendant).

## C. BARS TO REGISTRATION

### 1. Section 2(a) of the Lanham Act: Immoral, Scandalous, Disparaging or Deceptive Matter and False Suggestion of a Connection

#### a. Immoral, Scandalous or Disparaging Marks

**Page 217. Delete *In re Lebanese Arak Corp.* and insert the following Note and case:**

*Editors' Note.* In *Harjo v. Pro-Football, Inc.,* 30 U.S.P.Q.2d 1828 (T.T.A.B. 1994), the Board found that the football team's REDSKINS marks should be cancelled as the term is disparaging to a substantial composite of Native Americans and was so at the time the registrations issued, the oldest of which dates back to 1967. A long saga ensued, starting with Pro-Football's appeal to the D.C. district court. Ultimately, the D.C. Circuit found that the cancellation action was barred by laches. 565 F.3d 880 (D.C. Cir. 2009). Undeterred, another group of Native Americans (who were younger than the Harjo Native American petitioners and thus who reached their majority later for laches purposes) filed another petition to cancel the REDSKINS registrations. The Board once again found that the term is disparaging and rejected the laches defense and found that the registrations should be cancelled. *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d (T.T.A.B. 2014). Pro-Football appealed the case to the Eastern District of Virginia and challenged the constitutionality of section 2(a) as violative of the First Amendment, due process and the takings clause, and as void for vagueness. The district court rejected these claims and a laches claim as a matter of law and addressed the merits of disparagement in the following case.

**BLACKHORSE v. PRO-FOOTBALL, INC.**
112 F.Supp.3d 439 (E.D. Va. 2015)

LEE, UNITED STATES DISTRICT JUDGE.

...

The TTAB has established a two-part test to determine whether a mark contains matter that "may
disparage." The parties agree that the test in this case is as follows:

1. What is the meaning of the matter in question, as it appears in the marks and as those marks are used in connection with the goods and services identified in the registrations?

2. Is the meaning of the marks one that may disparage Native Americans?

[Citations.] Here, the registration dates are 1967, 1974, 1978, and 1990.

When answering the second question, … courts should look to the views of Native Americans, not those of the general public. Moreover, Blackhorse Defendants are only required to show that the marks "may disparage" a "substantial composite" of Native Americans. A substantial composite is not necessarily a majority. [Citations.]

...

*1. The Meaning of the Matter in Question is a Reference to Native Americans*

The Court finds that the meaning of the matter in question in all six Redskins Marks—the term "redskins" and derivatives thereof—is a reference to Native Americans. PFI admits that "redskins" refers to Native Americans. The team has consistently associated itself with Native American imagery. First, two of the Redskins Marks contain an image of a man in profile that alludes to Native Americans, including one that also has a spear" that alludes to Native Americans. Second, the team's helmets contain an image of a Native American in profile. Third, the team's marching band wore Native American headdresses as part of their uniforms from at least 1967-1990. Fourth, …, the cheerleaders, the "Redskinettes," also dressed in Native American garb and wore black braided-hair wigs. Lastly, Washington Redskins' press guides displayed Native American imagery.

...

…The Court … finds that because PFI has made continuous efforts to associate its football team with Native Americans during the relevant time period, the meaning of the matter in question is a reference to Native Americans.

*2. The Redskins Marks "May Disparage" a Substantial Composite of Native Americans During the Relevant Time Period*

The Court finds that the meaning of the marks is one that "may disparage" a substantial composite of Native Americans in the context of the "Washington Redskins" football team. The relevant period for the disparagement inquiry is the time at which the marks were registered. Here, the Court focuses on the period between 1967 and 1990.... [T]hree categories of evidence are weighed to determine whether a term may "disparage": (1) dictionary definitions and accompanying editorial designations; (2) scholarly, literary, and media references; and (3) statements of individuals or group leaders of the referenced group regarding the term. [Citations]

...

*a. Dictionary Evidence*

First, the record evidence contains dictionary definitions and accompanying designations of "redskins" that weigh in favor of finding that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native

Americans when each of the six marks was registered. Dictionary evidence is commonly considered when deciding if a term is one that "may disparage." [Citations.]

The record contains several dictionaries defining "redskins" as a term referring to North American Indians and characterizing "redskins" as offensive or contemptuous…

...

*b. Scholarly, Literary, and Media References*

...

Here, … the Court finds that the scholarly, literary, and media references evidence weighs in favor of finding that the Redskins Marks … "may disparage" a substantial composite of Native Americans between 1967 and 1990. For example, as early as 1911, sources such as Encyclopedia Britannica contemplated the poor standing of the term "redskins." The Court finds that Encyclopedia Britannica is a well-respected source.…

Prior to the first mark's registration in 1967, there were two renowned journals and an Encyclopedia Britannica reference that illustrate the term's disfavor among Native Americans. Taken altogether, the Court finds that these three pieces of evidence establish that in 1967, … evidence existed that showed that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period.

*c. Statements of Individuals or Group Leaders*

Third, the record evidence contains statements of Native American individuals or leaders of Native American groups that weigh in favor of finding that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period…

…In March 1972, a delegation of Native American leaders met with the then-President of PFI, Edward Bennett Williams, to demand that the team change its name. The group included: (1) Leon Cook, President of NCAI; (2) Dennis Banks, National Director of the American Indian Movement ("AIM"); (3) Ron Aguilar, District Representative of the National Indian Youth Council ("NIYC");25 (4) LaDonna Harris, President of A10; (5) Richard LaCourse, News Director in the Washington Bureau of the American Indian Press Association; (6) Laura Wittstock, Editor of Legislative Review for ILIDS; (7) Hanay Geiogamah, Assistant to the Commissioner of Indian Affairs and the Youth Representative from the Bureau of Indian Affairs; and (8) Ron Petite, AIM. Articles from the Washington Post and the Washington Daily News state that around the time of the meeting, NCAI's membership was approximately 300,000-350,000 members.

The next day, Williams wrote to NFL Commissioner Pete Rozelle to inform him about the meeting, noting that the "delegation of American Indian leaders . . . vigorously object[ed] to the continued use of the name Redskins." Although Williams did not change the team name after the meeting, he did change the fight song and altered the cheerleaders' outfits so that they were less stereotypical.

The Court finds this meeting probative on the issue of whether the mark consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period. Representatives of several prominent Native American organizations protesting the "Redskins" name is strong evidence that the term "may disparage." Williams himself regarded the Native Americans he met with as "leaders," rather than a group of individuals representing their own interests.

…Blackhorse Defendants have submitted several declarations…. from … prominent Native Americans…. Each declaration affirms Blackhorse Defendants' argument that from 1967 to 1990, the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans.

...

The Court finds that the declarations from these prominent Native American individuals and leaders, replete with the actions of groups concerning the "Washington Redskins" football team and anecdotes of personal experiences with the term "redskin," show that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period.

...

Additional evidence that the marks consisted of matter that "may disparage" is found in NCAI Resolution. … NCAI bills itself as "the oldest and largest intertribal organization nationwide representative of, and advocate for national, regional, and local tribal concerns." The [1993] resolution provided, in pertinent part, that, "[T]he term REDSKINS is not and has never been one of respect, but instead has always been and continues to be a pejorative, derogatory, denigrating, offensive, scandalous, contemptuous, disreputable, disparaging and racist designation for Native American[s]." The Court finds that this resolution is probative of NCAI's constituent members' collective opinion of the term 'redskin" and PFI's marks for many years, including when the last REDSKINS mark was registered. [Citation.]

PFI objects to this evidence … because the resolution was passed outside of the relevant time period. However, …, this is just like any other testimony from individuals that was taken after the fact: witnesses testify about what they perceived in the past. PFI may challenge the weight this evidence is afforded but the words of the resolution are indisputable: this national organization of Native Americans declared that the term "REDSKINS" has always been derogatory, offensive, and disparaging…. [T]he Court… finds the resolution is probative…

PFI[] … appears to suggest that the evidence of the 1972 meeting with former-PFI president Williams, NCAI's 1993 resolution on the team name, and any other evidence of Native American opposition is immaterial because "mainstream Native Americans" support the team name "Washington Redskins."…The Court … rejects PFI's attempted characterization of some of Blackhorse Defendants' witnesses and their respective testimony. That a "substantial composite" is not necessarily a majority further compels this result. Assuming the Court accepted PFI's proffered dichotomy of "mainstream" versus "avant-garde" members of a referenced group, as a matter of principle it is indisputable that those with "nonmainstream" views on whether a term is disparaging can certainly constitute a substantial composite of a referenced group. The Court finds that to be the case here.

… PFI relies upon the 1977 All-Indian Half-Time Marching Band and Pageant and Native Americans naming their own sports teams "Redskins" to argue that the term is not disparaging….

The Court finds these arguments unpersuasive because this evidence does not show that a there is not a substantial composite of Native Americans who find the matter was one that "may disparage." *Heeb* is …instructive. *Heeb i*nvolved an effort to register the mark HEEB for apparel and the publication of magazines. *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, (T.T.A.B. 2008). The TTAB acknowledged that there was a movement within the Jewish community to take command of the term "heeb" and not be offended by it. However, despite the fact that "many of this country's most established Jewish philanthropies and cultural organizations have openly and actively supported Applicant's magazine," the TTAB held that the evidence showed there was still a substantial composite of Jewish individuals who would find the term "heeb" to be one that "may disparage."

...

Here, the Court finds that the record contains evidence … demonstrating that between 1967 and 1990, the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans. The dictionary evidence included multiple definitions describing the term "redskin" in a negative light, including one from 1898—almost seventy years prior to the registration of the first Redskins Mark—characterizing "redskin" as "often contemptuous." The record evidence also includes references in renowned scholarly journals and books showing that "redskin" was offensive prior to 1967. Encyclopedia Britannica described its poor repute in 1911. The record evidence also shows that in 1972 NCAI a National Native American organization … sent its president to accompany leaders of other Native American organizations at a meeting with the president of PFI to demand that the team's name be changed. NCAI also passed a resolution which provided that it has found the term and team name "Redskins" to be derogatory, offensive, and disparaging.

…[T]he case law is clear: when all three categories contain evidence that a mark consists of matter that "may disparage" a substantial composite of the

referenced group, the TTAB and the Federal Circuit have denied or cancelled the mark's registration.

This remains true even when there is also dictionary evidence that does not characterize the term as offensive, literary references using the term in a non-disparaging fashion, and statements from members of the referenced group demonstrating that they do not think the mark consists of matter that "may disparage." That is because Section 2(a) does not require a finding that every member of the referenced group thinks that the matter "may disparage." Nor does it mandate a showing that a majority of the referenced group considers the mark one that consists of matter that "may disparage." Instead, Section 2(a) allows for the denial or cancellation of a registration of any mark that consists of or comprises matter that "may disparage" a substantial composite of the referenced group.

The Court finds that Blackhorse Defendants have shown by a preponderance of the evidence that there is no genuine issue of material fact as to the "may disparage" claim: the record evidence shows that the term "redskin," in the context of Native Americans and during the relevant time period, was offensive and one that "may disparage" a substantial composite of Native Americans, "no matter what the goods or services with which the mark is used." [Citation]. "Redskin" certainly retains this meaning when used in connection with PFI's football team; a team that has always associated itself with Native American imagery, with nothing being more emblematic of this association than the use of a Native American profile on the helmets of each member of the football team.

Accordingly, the Court finds that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period, 1967- 1990, and must be cancelled. Also, consistent with the parties' concession that Section 2(a)'s "may disparage" and "contempt or disrepute" provisions use the same legal analysis, the Court further finds that the Redskins Marks consisted of matter that bring Native Americans into "contempt or disrepute." Thus, Blackhorse Defendants are entitled to summary judgment….

...

**Page. 218. Delete Questions 1 through 3 and 6 and 7 and renumber Questions 4 and 5 as Questions 1 and 2. Add new Questions 3 through 5 and the case and Questions below:**

**3.** *Blackhorse* involves registrations that date back to the 1960s. The Board and district court analyzed the meaning of the REDSKINS marks as of the time the owner registered them. Does this make sense if the meaning changes over time?

**4.** In *Shammas v. Focarino*, 990 F.Supp.2d 587 (E.D. Va. 2014), *aff'd*, 784 F.3d 219 (4th Cir. 2015), the applicant sought review of the *ex parte* refusal to register his mark by a district court, which held that section 21(b)(3) of the Lanham Act provides that all expenses of such an *ex parte* appeal to a court, including attorney's fees, must be paid by the applicant whether or not the applicant is successful in the appeal. The statute does not apply to appeals to the Federal Circuit of *ex parte* refusals. Is it fair to penalize a successful applicant who chooses to bring a new action before a district court rather than appeal to the Federal Circuit?

**5.** Pro-Football has appealed the *Blackhorse* decision to the Fourth Circuit and has renewed its claims of the unconstitutionality of the disparaging prong of Section 2(a). How should the Fourth Circuit rule? Consider how the Federal Circuit dealt with a similar challenge in the *In re Tam* decision below.

## IN RE TAM

808 F.3d 1321 (Fed. Cir. 2016) (En Banc)

MOORE, CIRCUIT JUDGE.

Section 2(a) of the Lanham Act bars the Patent and Trademark Office ("PTO") from registering scandalous, immoral, or disparaging marks. 15 U.S.C. § 1052(a). The government enacted this law and defends it today--because it disapproves of the messages conveyed by disparaging marks. It is a bedrock principle underlying the First Amendment that the government may not penalize private speech merely because it disapproves of the message it conveys. That principle governs even when the government's message-discriminatory penalty is less than a prohibition.

…Mr. Simon Shiao Tam named his band THE SLANTS to make a statement about racial and cultural issues in this country. With his band name, Mr. Tam conveys more about our society than many volumes of undisputedly protected speech. Another rejected mark, STOP THE ISLAMISATION OF AMERICA, proclaims that Islamisation is undesirable and should be stopped. Many of the marks rejected as disparaging convey hurtful speech that harms members of oft-stigmatized communities. But the First Amendment protects even hurtful speech.

The government cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks. It cannot refuse to register marks because it concludes that such marks will be disparaging to others. The government regulation at issue amounts to viewpoint discrimination, and under the strict scrutiny review appropriate for government regulation of message or viewpoint, we conclude that the disparagement proscription of § 2(a) is unconstitutional. Because the government has offered no legitimate interests justifying § 2(a), we conclude that it would also be unconstitutional under the intermediate scrutiny traditionally applied to regulation of the commercial aspects of speech. We therefore vacate the Trademark Trial and Appeal Board's ("Board")

holding that Mr. Tam's mark is unregistrable, and remand this case to the Board for further proceedings.

## BACKGROUND

### I. The Lanham Act

...

"Registration is significant. The Lanham Act confers important legal rights and benefits on trademark owners who register their marks." *B&B Hardware, Inc. v. Hargis Ind., Inc.,* 135 S. Ct. 1293, 1300, 191 L. Ed. 2d 222 (2015) (quotation marks omitted). These benefits--unavailable in the absence of federal registration--are numerous, and include both substantive and procedural rights. The holder of a federal trademark has a right to exclusive nationwide use of that mark where there was no prior use by others. *See* 15 U.S.C. §§ 1072, 1115. Because the common law grants a markholder the right to exclusive use only in the geographic areas where he has actually used his mark, *see* 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 26:32 (4th ed.) (hereinafter "McCarthy"), holders of a federally registered trademark have an important substantive right they could not otherwise obtain. Also, a registered mark is presumed to be valid, 15 U.S.C. § 1057(b), and the mark becomes incontestable (with certain exceptions) after five years of consecutive post-registration use, *id.* § 1065; *see also B&B Hardware,* 135 S. Ct. at 1310 ("Incontestability is a powerful protection."). A markholder may sue in federal court to enforce his trademark, 15 U.S.C. § 1121, and he may recover treble damages if he can show infringement was willful, *id.* § 1117. He may also obtain the assistance of U.S. Customs and Border Protection in restricting importation of infringing or counterfeit goods, *id.* § 1124, 19 U.S.C. § 1526, and qualify for a simplified process for obtaining recognition and protection of his mark in countries that have signed the Paris Convention, *see id*. § 1141b (Madrid Protocol); Paris Convention for the Protection of Industrial Property art. 6*quinquies*, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305. Lastly, registration operates as a complete defense to state or common law claims of trademark dilution. 15 U.S.C. § 1125(c)(6).

Under the Lanham Act, the PTO must register source-identifying trademarks unless the mark falls into one of several categories of marks precluded from registration. [Citation.] Many of these categories bar the registration of deceptive or misleading speech, because such speech actually undermines the interests served by trademark protection and, thus, the Lanham Act's purposes in providing for registration. For example, a mark may not be registered if it resembles a registered mark such that its use is likely to "cause confusion, or to cause mistake, or to deceive," § 2(d), or if it is "deceptively misdescriptive," § 2(e). These restrictions on registration of deceptive speech do not run afoul of the First Amendment. [Citations.]

Section 2(a), however, is a hodgepodge of restrictions. Among them is the bar on registration of a mark that "[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection

with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute." Section 2(a) contains proscriptions against deceptive speech, for example, the prohibition on deceptive matter or the prohibition on falsely suggesting a connection with a person or institution. But other restrictions in § 2(a) differ in that they are based on the expressive nature of the content, such as the ban on marks that may disparage persons or are scandalous or immoral. These latter restrictions cannot be justified on the basis that they further the Lanham Act's purpose in preventing consumers from being deceived. These exclusions from registration do not rest on any judgment that the mark is deceptive or likely to cause consumer confusion, nor do they protect the markholder's investment in his mark. They deny the protections of registration for reasons quite separate from any ability of the mark to serve the consumer and investment interests underlying trademark protection. In fact, § 2(a)'s exclusions can undermine those interests because they can even be employed in cancellation proceedings challenging a mark many years after its issuance and after the markholder has invested millions of dollars protecting its brand identity and consumers have come to rely on the mark as a brand identifier.

This case involves the disparagement provision of § 2(a).[1] … Only in the last several decades has the disparagement provision become a more frequent ground of rejection or cancellation of trademarks. Marks that the PTO has found to be disparaging include: *REDSKINS, Pro-Football, Inc. v. Blackhorse,* No. 1-14-CV-01043-GBL, 112 F. Supp. 3d 439, 2015 U.S. Dist. LEXIS 90091, 2015 WL 4096277 Va. (July 8, 2015) (2014 PTO cancellation determination currently on appeal in Fourth Circuit); STOP THE ISLAMISATION OF AMERICA, *In re Geller,* 751 F.3d 1355 (Fed. Cir. 2014); THE CHRISTIAN PROSTITUTE (2013); AMISHHOMO (2013); MORMON WHISKEY (2012); KHORAN for wine, *In re Lebanese Arak Corp.,* 94 U.S.P.Q.2d 1215 (T.T.A.B. Mar. 4, 2010); …HEEB, *In re Heeb Media, LLC,* 89 U.S.P.Q.2d 1071 (T.T.A.B. Nov. 26, 2008); SEX ROD, *Bos. Red Sox Baseball Club L.P. v. Sherman*, 88 U.S.P.Q.2d 1581 (T.T.A.B. Sept. 9, 2008) (sustaining an opposition on multiple grounds, including disparagement); MARRIAGE IS FOR FAGS (2008); DEMOCRATS SHOULDN'T BREED (2007); REPUBLICANS SHOULDN'T BREED (2007); 2 DYKE MINIMUM (2007); WET BAC/WET B.A.C. (2007); URBAN INJUN (2007); SQUAW VALLEY, *In re Squaw Valley Dev. Co.,* 80 U.S.P.Q.2d 1264 (T.T.A.B. June 2, 2006); DON'T BE A WET BACK (2006); FAGDOG (2003); N.I.G.G.A. NATURALLY INTELLIGENT GOD GIFTED AFRICANS (1996); a mark depicting a defecating dog, *Greyhound Corp. v. Both Worlds, Inc.,* 6 U.S.P.Q.2d 1635 (T.T.A.B. Mar. 30, 1988) (found to disparage Greyhound's trademarked running dog logo); an image consisting of the national symbol of the Soviet Union with an "X" over it, *In re Anti-*

[1] We limit our holding in this case to the constitutionality of the § 2(a) disparagement provision. Recognizing, however, that other portions of § 2 may likewise constitute government regulation of expression based on message, such as the exclusions of immoral or scandalous marks, we leave to future panels the consideration of the § 2 provisions other than the disparagement provision at issue here. To be clear, we overrule *In re McGinley*, 660 F.2d 481 (C.C.P.A. 1981), and other precedent insofar as they could be argued to prevent a future panel from considering the constitutionality of other portions of § 2 in light of the present decision.

*Communist World Freedom Cong., Inc., 161 U.S.P.Q. 304 (T.T.A.B. Feb. 24, 1969)*; DOUGH-BOY for "a prophylactic preparation for the prevention of venereal diseases," *Doughboy Indus., Inc. v. Reese Chem. Co.,* 88 U.S.P.Q. 227 (T.T.A.B. Jan. 25, 1951).

… If the examiner "make[s] a prima facie showing that a substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark, as used on or in connection with the relevant goods or services, to be disparaging in the context of contemporary attitudes," the burden shifts to the applicant for rebuttal. If the applicant fails to rebut the prima facie case of disparagement, the examiner refuses to register the mark….A single examiner …can reject a mark as disparaging by determining that it would be disparaging to a substantial composite of the referenced group.

II. Facts of This Case

Mr. Tam is the "front man" for the Asian-American dance-rock band The Slants. Mr. Tam named his band The Slants to "reclaim" and "take ownership" of Asian stereotypes. The band draws inspiration for its lyrics from childhood slurs and mocking nursery rhymes, and its albums include "The Yellow Album" and "Slanted Eyes, Slanted Hearts." The band "feel[s] strongly that Asians should be proud of their cultural heri[ta]ge, and not be offended by stereotypical descriptions." With their lyrics, performances, and band name, Mr. Tam and his band weigh in on cultural and political discussions about race and society that are within the heartland of speech protected by the First Amendment.

...

The Board affirmed the examiner's refusal to register the mark [and] wrote that "it is abundantly clear from the record not only that THE SLANTS . . . would have the 'likely meaning' of people of Asian descent but also that such meaning has been so perceived and has prompted significant responses by prospective attendees or hosts of the band's performances." *In re Tam,* No. 85472044, 2013 TTAB LEXIS 485, 2013 WL 5498164, at *5 (T.T.A.B. Sept. 26, 2013) *("Board Opinion")*…. [T]he Board pointed to dictionary definitions, the band's website, which displayed the mark next to "a depiction of an Asian woman, utilizing rising sun imagery and using a stylized dragon image," and a statement by Mr. Tam that he selected the mark in order to "own" the stereotype it represents. The Board also found that the mark is disparaging to a substantial component of people of Asian descent because "[t]he dictionary definitions, reference works and all other evidence unanimously categorize the word 'slant,' when meaning a person of Asian descent, as disparaging," and because there was record evidence of individuals and groups in the Asian community objecting to Mr. Tam's use of the word. The Board therefore disqualified the mark for registration under § 2(a).

[The initial Federal Circuit panel affirmed in a 2-1 decision and rejected Tam's First Amendment arguments based on prior Federal Circuit precedent in *In re*

*McGinley,* 660 F.2d 481 (C.C.P.A. 1981). The Federal Circuit granted rehearing *en banc*, concluding that the disparagement prong is unconstitutional].

...

## DISCUSSION

### *I. Section 2(a)'s Denial of Important Legal Rights to Private Speech Based on Disapproval of the Message Conveyed Is Subject to, and Cannot Survive, Strict Scrutiny*

Strict scrutiny is used to review any governmental regulation that burdens private speech based on disapproval of the message conveyed. Section 2(a), which denies important legal rights to private speech on that basis, is such a regulation…. [I]t cannot survive strict scrutiny.

#### A. The Disparagement Provision, Which Discriminates Based on Disapproval of the Message, Is Not Content or Viewpoint Neutral

"Content-based regulations are presumptively invalid." *R.A.V. v. City of St. Paul,* 505 U.S. 377, 382, 112 S. Ct. 2538, 120 L. Ed. 2d 305 (1992); [citation]. "Content-based laws--those that target speech based on its communicative content--are presumptively unconstitutional and may be justified only if the government proves that they are narrowly tailored to serve compelling state interests." [Citations.]

Viewpoint-based regulations, targeting the substance of the viewpoint expressed, are even more suspect. They are recognized as a particularly "egregious form of content discrimination."…"The First Amendment requires heightened scrutiny whenever the government creates 'a regulation of speech because of disagreement with the message it conveys.'" *Sorrell,* 131 S. Ct. at 2664 (quoting *Ward v. Rock Against Racism,* 491 U.S. 781, 791, 109 S. Ct. 2746, 105 L. Ed. 2d 661 (1989)). This is true whether the regulation bans or merely burdens speech….

…Section 2(a) prevents the registration of disparaging marks…And the test for disparagement-- whether a substantial composite of the referenced group would find the mark disparaging--makes clear that it is the nature of the message conveyed by the speech which is being regulated. If the mark is found disparaging by the referenced group, it is denied registration….

And § 2(a) … also discriminates on the basis of message conveyed, …it targets "viewpoints [in] the marketplace," *Simon & Schuster,* 502 U.S. at 116. It does so as a matter of avowed and undeniable purpose, and it does so on its face.

...

… The PTO rejects marks under § 2(a) when it finds the marks refer to a group in a negative way, but it permits the registration of marks that refer to a group in a positive, non-disparaging manner.…Yet the government registers marks that refer to particular ethnic groups or religions in positive or neutral ways--for example, NAACP, THINK ISLAM, NEW MUSLIM COOL, MORMON SAVINGS, JEWISHSTAR, and PROUD 2 B CATHOLIC.

The government argues … that under § 2(a), two marks with diametrically opposed viewpoints will both be refused, so long as those marks use the same disparaging term. It points to Mr. Tam--who does not seek to express an anti-Asian viewpoint--as proof.…

… The government[] … is incorrect. The PTO looks at what message the referenced group takes from the applicant's mark in the context of the applicant's use, and it denies registration only if the message received is a negative one. Thus, an applicant can register a mark if he shows it is perceived by the referenced group in a positive way, even if the mark contains language that would be offensive in another context. For example, the PTO registered the mark DYKES ON BIKES … after the applicant showed the term was often enough used with pride among the relevant population. In *Squaw Valley*, the Board allowed the registration of the mark SQUAW VALLEY in connection with one of the applied-for classes of goods (namely, skiing-related products), but not in connection with a different class of goods. 80 U.S.P.Q.2d at *22. … It is thus the viewpoint of the message conveyed which causes the government to burden the speech….

… STOP THE ISLAMISATION OF AMERICA and THINK ISLAM express two different viewpoints. Under § 2(a), one of these viewpoints garners the benefits of registration, and one does not. The government enacted § 2(a), and defends it today, because it is hostile to the messages conveyed by the refused marks. Section 2(a) is a viewpoint-discriminatory regulation of speech, created and applied in order to stifle the use of certain disfavored messages. Strict scrutiny therefore governs its First Amendment assessment--and no argument has been made that the measure survives such scrutiny.

...

II. Section 2(a) Is Not Saved From Strict Scrutiny Because It Bans No Speech or By Government-Speech or Government-Subsidy Doctrines

… [T]he government argues … § 2(a) … prohibits no speech, but leaves Mr. Tam free to name his band as he wishes and use this name in commerce…. [T]he government suggests that trademark registration is government speech, and thus the government can grant and reject trademark registrations without implicating the First Amendment … and the government argues that § 2(a) merely withholds a government subsidy for Mr. Tam's speech and is valid as a permissible definition of a government subsidy program. We reject each of the government's arguments.

A. Strict Scrutiny Applies to § 2(a), Which Significantly Chills Private Speech on Discriminatory Grounds, Though It Does Not Ban Speech

The government argues that § 2(a) does not implicate the First Amendment because it does not prohibit any speech.... But the First Amendment's standards, including those broadly invalidating message discrimination, are not limited to such prohibitions. [Citation.]

. . .

[W]hile it is true that a trademark owner may use its mark in commerce even without federal registration, it has been widely recognized that federal trademark registration bestows *truly* significant and financially valuable benefits upon markholders. *B&B Hardware,* 135 S. Ct. at 1300; *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 199-200, 105 S. Ct. 658, 83 L. Ed. 2d 582 (1985) (valuable new rights were created by the Lanham Act); [citations].

Denial of these benefits creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging. [Citations.]

For those reasons, the § 2(a) bar on registration creates a strong disincentive to choose a "disparaging" mark. And that disincentive is not cabined to a clearly understandable range of expressions. The statute extends the uncertainty to marks that "may disparage." 15 U.S.C. § 1052(a). The uncertainty as to what *might be deemed* disparaging is not only evident on its face, given the subjective-reaction element and shifting usages in different parts of society. It is confirmed by the record of PTO grants and denials over the years, from which the public would have a hard time drawing much reliable guidance.

...

B. Trademark Registration Is Not Government Speech

. . .

[T]he government appears to argue that trademark registration and the accoutrements of registration … amount to government speech. This argument is meritless. Trademark registration is a regulatory activity….[M]anifestations of government registration do not convert the underlying speech to government speech. And if they do, then copyright registration would likewise amount to government speech….

In *Walker v. Texas Division, Sons of Confederate Veterans, Inc.*, the Supreme Court detailed the indicia of government speech. 135 S. Ct. 2239, 192 L. Ed. 2d 274 (2015). The Court concluded that specialty license plates were government speech, even though a state law allowed individuals, organizations, and nonprofit groups to request certain designs. The Court ... stressed that "[t]he State places the name 'TEXAS' in large letters at the top of every plate," that "the State requires Texas vehicle owners to display license plates, and every Texas license plate is issued by the State," that "Texas also owns the designs on its license plates," and that "Texas dictates the manner in which drivers may dispose of unused plates." *Id.* As a consequence, the Court reasoned, "Texas license plate designs 'are often closely identified in the public mind with the State.'" *Id.* (quoting *Summum, 555 U.S. at 472* (alteration omitted)). Amidst all of its other aspects of control, moreover, "Texas maintains direct control over the messages conveyed on its specialty plates." *Id.* at 2249. "Indeed, a person who displays a message on a Texas license plate likely intends to convey to the public that the State has endorsed that message." *Id.*

… When the government registers a trademark, the only message it conveys is that a mark is registered. The vast array of private trademarks are not created by

the government, owned or monopolized by the government, sized and formatted by the government, immediately understood as performing any government function (like unique, visible vehicle identification), aligned with the government, or (putting aside any specific government-secured trademarks) used as a platform for government speech. There is simply no meaningful basis for finding that consumers associate registered private trademarks with the government.

...

In short, the act of registration, which includes the right (but not the obligation) to put an ® symbol on one's goods, receiving a registration certificate, and being listed in a government database, simply cannot amount to government speech. The PTO's processing of trademark registrations no more transforms private speech into government speech than when the government issues permits for street parades, copyright registration certificates, or, for that matter, grants medical, hunting, fishing, or drivers licenses, or records property titles, birth certificates, or articles of incorporation. To conclude otherwise would transform every act of government registration into one of government speech and thus allow rampant viewpoint discrimination. When the government registers a trademark, it regulates private speech. It does not speak for itself.

C. Section 2(a) Is Not a Government Subsidy Exempt from Strict Scrutiny

We reject the government's argument that § 2(a)'s message-based discrimination is merely the government's shaping of a subsidy program…. The Supreme Court has repeatedly invalidated denials of "benefits" based on message-based disapproval of private speech that is not part of a government-speech program. In such circumstances, denial of an otherwise-available benefit is unconstitutional at least where, as here, it has a significant chilling effect on private speech. [Citations.]

...

III. *Section 2(a)* Is Unconstitutional Even Under the *Central Hudson* Test for Commercial Speech

...

Even if we were to treat § 2(a) as a regulation of commercial speech, it would fail to survive. In *Central Hudson*, the Supreme Court laid out the intermediate-scrutiny framework for determining the constitutionality of restrictions on commercial speech. 447 U.S. at 566. First, commercial speech "must concern lawful activity and not be misleading." *Id.* If this is the case, we ask whether "the asserted governmental interest is substantial," *id.*, and whether the regulation "directly and materially advanc[es]" the government's asserted interest and is narrowly tailored to achieve that objective. *Lorillard Tobacco Co. v. Reilly,* 533 U.S. 525, 555-56, 121 S. Ct. 2404, 150 L. Ed. 2d 532 *(2001)*. "Under a commercial speech inquiry, it is the State's burden to justify its content-based law as consistent with the *First Amendment*." *Sorrell,* 131 S. Ct. at 2667.

First, we ask whether the regulated activity is lawful and not misleading. *Cent. Hudson,* 447 U.S. at 563-64. Unlike many other provisions of § 2, the disparagement provision does not address misleading, deceptive, or unlawful marks. There is nothing illegal or misleading about a disparaging trademark like Mr. Tam's mark.

Next, … a substantial government interest must justify the regulation. *Id.* at 566. But … [t]he entire interest of the government in § 2(a) depends on disapproval of the message. That is an insufficient interest to pass the test of intermediate scrutiny, as the Supreme Court made clear in *Sorrell.* 131 S. Ct. at 2668 (law must not "seek to suppress a disfavored message"); [citations].

The government … argues … that the United States is "entitled to dissociate itself from speech it finds odious." … [T]hat disapproval is not a legitimate government interest where, as here, … there is no plausible basis for treating the speech as government speech or as reasonably attributed to the government by the public.

The government also argues that it has a legitimate interest in "declining to expend its resources to facilitate the use of racial slurs as source identifiers in interstate commerce." The government's interest in directing its resources does not warrant regulation of these marks…. [T]rademark registration is user-funded, not taxpayer-funded. The government expends few resources registering these marks. Its costs are the same costs that would be incidental to any governmental registration: articles of incorporation, copyrights, patents, property deeds, etc….

...

We conclude that the government has not presented us with a substantial government interest justifying the § 2(a) bar on disparaging marks. All of the government's proffered interests boil down to permitting the government to burden speech it finds offensive. This is not a legitimate interest. With no substantial government interests, the disparagement provision of § 2(a) cannot satisfy the *Central Hudson* test. We hold the disparagement provision of § 2(a) unconstitutional under the First Amendment.

...

[The concurring and dissenting opinions of three judges are omitted.]

## QUESTIONS

**1.** The government has sought certiorari from the Federal Circuit's *In re Tam* decision. Pro-Football, in an unusual procedural move, has argued that the Federal Circuit decision was correctly decided and thus that the Supreme Court should deny the cert petition, but that, in the event the Supreme Court takes the case, it should also take the *Blackhorse* case without waiting for the Fourth Circuit to rule. Professor Rebecca Tushnet has contended that section 2(a) is generally constitutional as set forth below:

> I conclude that §2(a) is generally constitutional as a government determination about what speech it is willing to approve, if not endorse. If the Supreme Court disagrees, it will face a difficult job distinguishing other aspects of trademark law. And these difficulties signal a greater problem: the Court has lost touch with the reasons that some content-based distinctions might deserve special scrutiny. Often, perfectly sensible and by no means censorious regulations that depend on identifying the semantic content of speech would fall afoul of a real application of heightened scrutiny, to no good end.

*Quoted in The TTABlog* (March 10, 2016). Which way do you think the Supreme Court should rule if it takes the case(s)?

**2.** Although the *In re Tam* decision limits its holding to the unconstitutionality of the disparagement prong of section 2(a), the language nevertheless appears to suggest that the "scandalous and immoral" prong also impermissibly targets expressive content without a justification of preventing deceptive or misleading material. The Federal Circuit currently has an appeal before it from the Board's decision that FUCT, Serial No. 85/310,960, is scandalous and immoral. *In re Brunetti* (T.T.A.B. Aug. 1, 2014). Is there any basis to argue a difference in the First Amendment analysis that the Federal Circuit should apply? What if the matter rises to the level of obscenity? Would the provision be facially invalid in that case?

**3.** The majority decision differentiates the validity of the provisions barring registration of deceptive or misleading marks from disparaging, scandalous and/or immoral marks. Is this persuasive? Would, for example, the bars against geographically misdescriptive marks or against marks that incorporate the name of dead presidents if their spouse is still alive survive strict scrutiny analysis?

### b. Deceptive Terms

**Page 223. Insert new Question 4:**

**4.** THCTea for tea-based beverages that does not contain THC (i.e. marijuana). *See In re Hinton*, 116 U.S.P.Q.2d 1051 (T.T.A.B. 2015).

### c. False Suggestion of a Connection

**Page 229. Add the following text at the end of Question 2:**

Should false suggestion of a connection apply where a person does not use the name at issue but others refer to her that way? Kate Middleton's title is Duchess of

Cambridge. Should PRINCESS KATE be refused registration for cosmetics, apparel and other goods as falsely suggesting a connection with her if that is not her title? *See In re Nieves & Nieves*, 113 U.S.P.Q.2d 1629 (T.T.A.B. 2015). Should MARATHON MONDAY be found to suggest a false suggestion of a connection with the organizers of the BOSTON MARATHON if the latter term is found to be an identity of the organizer? *See Boston Athletic Assn. v. Velocity, LLC*, 117 U.S.P.Q.2d 1492 (T.T.A.B. 2015).

### 2. Sections 2(b) and 2(c) of the Lanham Act

**Page 230. Insert the following text in the Note: Refusals Under 2(b) after the sentence that ends "'simulation' has been interpreted to require fairly exact copying":**

*See Re/Ma LLC v. M.L. Jones & Assocs.*, 114 U.S.P.Q.2d 1139 (E.D.N.C. 2014)(registration for flag design that copied Netherlands flag with 3 rectangles of red-over-white-over blue was ordered cancelled).

**Page 230. Delete the references to the Board's decisions in *In re District of Columbia and In re City of Houston* in the Note and add the following excerpt from the Federal Circuit's opinion:**

**In re City of Houston; In re the Government of the District of Columbia**, 731 F.3d 1326 (Fed. Cir. 2013). In upholding the TTAB's refusal to register official insignia under section 2(b) both by the city of Houston for tourism, business administration and public utility services and by the District of Columbia for promotional items such as shirts and cups, the Federal Circuit relied on the unambiguous language of section 2(b) that prohibits registration of such insignia without any exceptions. In response to the argument that this interpretation prevented a municipality from protecting the public from deception, the court noted:

> …Houston has other means to prevent "pirates and cheats" from using its city seal to deceive the public. Presumably the city of Houston could pass an ordinance prohibiting such activity. Other legal protections under the Lanham Act may exist as well. *See* 15 U.S.C. § 1125. But if Houston feels that the legal protections available to it under the Lanham Act are insufficient, and Houston desires a rewriting of § 2(b) to permit it to register its city seal, Houston must take the matter up with Congress; this court is not the proper forum for rewriting of Congressional acts.

Should Congress clarify the language of 2(b) to except governmental entities?

### 3. Section 2(d) of the Lanham Act: Likely Confusion

**Page 232. Delete the *Coach Services* decision and insert the following decision, excerpt from the *Coach Services* decision and Questions:**

**STONE LION CAPITAL PARTNERS, L.P. v. LION CAPITAL LP**
746 F.3d 1317 (Fed. Cir. 2014)

WALLACH, CIRCUIT JUDGE.

Stone Lion Capital Partners, L.P. ("Stone Lion") appeals from the Trademark Trial and Appeal Board's ("Board") decision refusing registration of the mark "STONE LION CAPITAL" due to a likelihood of confusion with opposer Lion Capital LLP's ("Lion") registered marks, "LION CAPITAL" and "LION." Because the Board's decision is supported by substantial evidence and in accordance with the law, this court affirms.

*Background*

I. The Parties

Both Stone Lion and Lion are investment management companies. Appellant Stone Lion . . . manages a hedge fund that focuses on credit opportunities. Appellee Lion is a private equity firm . . . that invests primarily in companies that sell consumer products.

Lion has two registered marks . . . "LION CAPITAL" and "LION." . . . The services . . . include "financial and investment planning and research," "investment management services," and "capital investment consultation" for "LION"; and "equity capital investment" and "venture capital services" for "LION CAPITAL." There is no dispute that Lion has priority over Stone Lion with respect to these marks.

II. Proceedings Before the Board

On August 20, 2008, Stone Lion filed an intent-to-use application to register the mark "STONE LION CAPITAL" . . . in connection with "financial services, namely investment advisory services, management of investment funds, and fund investment services." [Citation]. Lion opposed the registration under section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d) (2006), alleging Stone Lion's proposed mark would be likely to cause confusion with Lion's registered marks when used for Stone Lion's recited financial services.

The Board conducted the likelihood of confusion inquiry pursuant to the thirteen factors set forth in *In re E.I. du Pont de Nemours & Co.,* 476 F.2d 1357, 1361 (C.C.P.A. 1973):

> (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
>
> (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
>
> (3) The similarity or dissimilarity of established, likely-to-continue trade channels.
>
> (4) The conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing.
>
> (5) The fame of the prior mark (sales, advertising, length of use).
>
> (6) The number and nature of similar marks in use on similar goods.
>
> (7) The nature and extent of any actual confusion.
>
> (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
>
> (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).
>
> (10) The market interface between applicant and the owner of a prior mark . . . .
>
> (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
>
> (12) The extent of potential confusion, i.e., whether *de minimis* or substantial.
>
> (13) Any other established fact probative of the effect of use.

*Id*. The parties presented evidence regarding factors one through six. The Board found that factors one through four weighed in favor of finding a likelihood of confusion, and that the remaining factors were neutral. . . .

Upon weighing all of the pertinent *DuPont* factors, the Board found Lion met its burden to establish a likelihood of confusion by a preponderance of the evidence, and refused Stone Lion's application.

Stone Lion filed this timely appeal. . . .

DISCUSSION

Section 2(d) of the Lanham Act provides that a trademark may be refused registration if it so resembles a prior used or registered mark "as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1052(d). Likelihood of confusion is a question of law with underlying factual findings made pursuant to the *DuPont* factors. *M2 Software, Inc. v. M2 Commc'ns, Inc.,* 450 F.3d 1378, 1381 (Fed. Cir. 2006). This court reviews the Board's factual findings on each *DuPont* factor for substantial evidence, *In re Pacer Tech.,* 338 F.3d 1348, 1349 (Fed. Cir. 2003), and its legal conclusion of likelihood of confusion de novo, *On-Line Careline, Inc. v. Am. Online, Inc.,* 229 F.3d 1080, 1084 (Fed. Cir. 2000). . . .

On appeal, Stone Lion challenges the Board's findings with respect to *DuPont* factors one, three, and four. It contends the Board: (1) "conducted an erroneous comparison of the marks," pursuant to factor one, (2) "erred in analyzing the purchasers and trade channels" in factor three, and (3) "committed legal error in dismissing purchaser sophistication and conditions of sale" in factor four. Each argument is considered in turn.

I. The Board Properly Compared the Marks Pursuant to the First *DuPont* Factor

The similarity of the marks is determined by focusing on "'the marks in their entireties as to appearance, sound, connotation, and commercial impression.'" *Palm Bay Imps. Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772,* 396 F.3d 1369 1371 (Fed. Cir. 2005) (quoting *DuPont, 476 F.2d at 1361*). With respect to the Board's reasoning that Stone Lion's mark "incorporates the entirety of [Lion's] marks," Stone Lion contends "the Board's analysis rests on the faulty assumption that incorporating an opposer's mark necessarily results in a likelihood of confusion," which, it says, "is not the law."[2] Stone Lion further criticizes the Board's finding that the noun "LION" was "the dominant part of both parties' marks." "'[L]ikelihood of confusion cannot be predicated on dissection of . . . only part of a mark,'" and Stone Lion argues "the Board's analysis undertook the very dissection of the mark that this Court forbids." According to Stone Lion, the Board improperly "fail[ed] to assess the commercial impression made by STONE LION CAPITAL as a whole." *Id*. at 33.

[2] Stone Lion argues the Board's "incorporation" analysis is improper for the additional reason that it gave "CAPITAL" meaningful weight, even though both parties "disclaimed the exclusive right to the term." The Board recognized the parties' disclaimer, however, and accordingly attached less significance to that term.

These arguments misconstrue the Board's analysis. The Board properly considered whether the marks were "similar in sight, sound, meaning, and overall commercial impression." Although it reasoned that "LION" was "dominant" in both parties' marks, "there is nothing improper in stating that . . . more or less weight has been given to a particular feature of a mark, provided the ultimate conclusion rests on consideration of the marks in their entireties." *In re Nat'l Data Corp.,* 753 F.2d at 1059. Nor did the Board err by according little weight to the adjective "STONE," on the ground that it did not "distinguish the marks in the context of the parties' services." 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:50 (4th ed.) ("[A]ddition of a suggestive or descriptive element is generally not sufficient to avoid confusion."); *see also In re Rexel Inc.,* 223 U.S.P.Q. 830 (T.T.A.B. 1984) (finding likelihood of confusion between GOLIATH for pencils and LITTLE GOLIATH for a stapler). The Board properly rested its "ultimate conclusion" of similarity "on consideration of the marks in their entireties." *See In re Nat'l Data Corp.,* 753 F.2d at 1059.

Stone Lion also . . . contends that "STONE LION" "is the most communicative and evocative aspect of the mark," and "contains an initial sibilant sound not found in either of Lion Capital's marks." Its "meaning[ is] also quite different," according to Stone Lion, and connotes "patience, courage, fortitude and strength" as opposed to "just LION, which communicates no such lithic significance." *Id*. The record adequately supports the Board's contrary conclusions, however, and the Board did not err in finding that "STONE LION CAPITAL" is "similar in sight, sound, meaning, and overall commercial impression" to "LION CAPITAL" and "LION."

Finally, Stone Lion argues the Board gave inadequate weight to Lion's statements during prosecution of its "LION CAPITAL" registration distinguishing the third-party mark "ROARING LION." A party's prior arguments may be considered as "illuminative of shade and tone in the total picture," but do not alter the Board's obligation to reach its own conclusion on the record. *Interstate Brands Corp. v. Celestial Seasonings, Inc.,* 576 F.2d 926, 929 (C.C.P.A. 1978). The Board's findings under the first *DuPont* factor are affirmed.[3]

II. The Board Properly Compared the Relevant Trade Channels Pursuant to the Third *DuPont* Factor

. . . The Board found the application and the registrations contained "no limitations" on the channels of trade and classes of purchasers and therefore "presume[d] that the parties' services travel through all usual channels of trade and are offered to all normal potential purchasers." The parties' recited services were in

[3] . . . According to Stone Lion, "having concluded that the Lion Capital marks are not strong or well-known in the financial services field, the Board overlooked that the level of renown of an opposer's mark is supposed to play a 'dominant role in the process of balancing the DuPont factors.'" The Board never found that Lion's marks were weak. It found that in spite of news about Lion's investments featured in, e.g., The Wall Street Journal and The New York Times, the marks were not "well-known." Stone Lion does not challenge these fact-findings on appeal, and the Board did not err in declining to give this neutral factor determinative weight in its likelihood of confusion analysis.

part legally identical, so the Board concluded the "channels of trade and classes of purchasers are the same." Because the application and registrations shared the same channels of trade and classes of purchasers, the Board determined the third *DuPont* factor weighed in favor of finding a likelihood of confusion.

On appeal, Stone Lion contends the Board "fail[ed] to examine the record to determine *which types of persons* within these organizations the parties normally dealt with." It contends the Board's findings on the third *DuPont* factor are unsupported by substantial evidence because there was no overlap between the parties' actual investors.

It was proper, however, for the Board to focus on the application and registrations rather than on real-world conditions, because "the question of registrability of an applicant's mark must be decided on the basis of the identification of goods set forth in the application." *Octocom Sys., Inc. v. Houston Comp. Servs. Inc.,* 918 F.2d 937, 942 (Fed. Cir. 1990). This is so "regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which sales of the goods are directed." *Id*. Even assuming there is no overlap between Stone Lion's and Lion's current customers, the Board correctly declined to look beyond the application and registered marks at issue. An application with "no restriction on trade channels" cannot be "narrowed by testimony that the applicant's use is, in fact, restricted to a particular class of purchasers." *Id.* at 943. The Board thus properly found Stone Lion's application and Lion's registrations covered the same potential purchasers and channels of trade.

III. The Board Properly Considered the Sophistication of Potential Customers Under the Fourth *DuPont* Factor

The fourth *DuPont* factor considers "[t]he conditions under which and buyers to whom sales are made, i.e. 'impulse' vs. careful, sophisticated purchasing." *DuPont,* 476 F.2d at 1361. Although recognizing that Stone Lion and Lion in fact require large minimum investments and target sophisticated investors, the Board focused on the sophistication of all *potential* customers of "the parties' services as they are recited in the application and registrations, respectively." Stone Lion's application includes all "investment advisory services," and Lion's registrations include "capital investment consultation." Such services, the Board found, "are not restricted to high-dollar investments or sophisticated consumers," but rather "could be offered to, and consumed by, anyone with money to invest, including ordinary consumers seeking investment services."

Stone Lion . . . nevertheless argues the Board erred in considering the sophistication of potential customers. Both parties agree their current investors are sophisticated. In light of the services currently offered by Stone Lion and Lion, securities regulations require substantive, preexisting relationships with potential

investors before they may invest. Stone Lion contends the Board failed to give proper weight to this clientele sophistication.[4]

Stone Lion effectively asks this court to disregard the broad scope of services recited in its application, and to instead rely on the parties' current investment practices. This would be improper because the services recited in the application determine the scope of the post-grant benefit of registration. "[R]egistration provides the registrant with prima facie evidence of . . . the registrant's 'exclusive right' to use the mark on or in connection with *the goods and services specified in the certificate of registration." U.S. Search LLC v. U.S. Search.com Inc.,* 300 F.3d 517, 524 (4th Cir. 2002) (emphasis added); *see also* 15 U.S.C. § 1115(a) (the registration is prima facie evidence of the registrant's exclusive right to use the mark "in connection with the goods or services specified in the registration"). Other benefits of registration are likewise commensurate with the scope of the services recited in the application, not with the applicant's then-existing services. *See, e.g.*, 15 U.S.C. § 1072 (federal registrants enjoy nationwide constructive notice of their ownership of the registered mark); *id*. § 1117 (allowing recovery of defendant's profits, plaintiff's damages, and the costs of the action for violation of a registered mark). It would make little sense for the Board to consider only the parties' current activities when the intent-to-use application, not current use, determines the scope of this post-grant benefit. Parties that choose to recite services in their trademark application that exceed their actual services will be held to the broader scope of the application. *See Octocom Sys.,* 918 F.2d at 943 (stating that a broad application "is not narrowed by testimony that the applicant's use is, in fact, restricted").

At oral argument, Stone Lion contended that . . . limiting the investor sophistication analysis to the four corners of the application is contrary to *DuPont*, where our predecessor court considered "all of the evidence" on sophistication, not only the services recited in the application. In *DuPont*, the Board found likelihood of confusion between DuPont's applied-for mark, RALLY, for "combination polishing, glazing and cleaning agent for use on automobiles," and the . . . "registered mark RALLY for an all-purpose detergent." *DuPont,* 476 F.2d at 1359. While DuPont's appeal was pending before the Board, DuPont had purchased Horizon's mark in the context of automobile products and the parties entered into an agreement allowing DuPont to use the mark in the "automotive aftermarket" and "incidentally usable" products, and limiting Horizon to the "commercial building or household market." *Id*.

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[4] . . Stone Lion maintains there is no likelihood of confusion at the point of sale, because any potential confusion would be resolved during the lengthy qualification process for qualified investors. . . .

There is no need to address these contentions. . . . As discussed below, the Board properly held the recited services may be offered to ordinary consumers and Stone Lion does not contest that such consumers may be confused at the point of sale. This finding is sufficient to affirm the Board's conclusion that the fourth DuPont factor favored opposer Lion.

Our predecessor court reversed the Board's refusal of DuPont's application, holding that substantial weight should be given to the parties' "detailed agreement[ ]." *Id.* at 1362. Although such reasoning reaches beyond the application, it does so only to the extent that the parties legally bound themselves to using the mark in their respective product category. *See id.* at 1363 (explaining that if either party strays beyond their product category set forth in the agreement, they would be subject to a breach of contract action). Such a binding agreement limits the benefits of registration. For instance, the agreement's provision limiting each party to different product categories would rebut the evidentiary value of a registered mark provided in 15 U.S.C. § 1115(a) . . . The *DuPont* court contrasted such a binding agreement to "a naked 'consent,'" which it found would merit little weight because "the consenter may continue or expand his use." *Id.* at 1362.

Stone Lion has not provided a naked consent, much less contractually restricted itself to its current high-minimum-investment services. . . . Granting Stone Lion's application would entitle it to the full scope of services recited therein, and Stone Lion cannot now distance itself from such breadth when faced with an opposition.

Accordingly, the Board properly considered *all* potential investors for the recited services, including ordinary consumers seeking to invest in services with no minimum investment requirement. Although the services recited in the application also encompass sophisticated investors, Board precedent requires the decision to be based "on the least sophisticated potential purchasers." [Citations.] Substantial evidence supports the Board's finding that such ordinary consumers "will exercise care when making financial decisions," but "are not immune from source confusion where similar marks are used in connection with related services." The Board's conclusion that the fourth *DuPont* factor weighs in opposer Lion's favor is consistent with Stone Lion's application, Lion's registrations, and with applicable law.

CONCLUSION

The Board properly determined that the first four *DuPont* factors weighed in favor of finding a likelihood of confusion and that the remaining factors were neutral. The refusal of Stone Lion's application for trademark registration is therefore affirmed.

AFFIRMED

**Coach Services, Inc. v. Triumph Learning LLC,** 668 F.3d 1356 (Fed. Cir. 2012). The Federal Circuit affirmed a finding of no likelihood of confusion between Coach's COACH marks for handbags, luggage and accessories and Applicant's COACH mark and COACH and design mark for software, tapes and printed materials aimed at students and teachers preparing for standardized tests. In applying the *DuPont* factor analysis, the court rejected that the fame of Opposer's mark was sufficient to

outweigh the differences in the marks' commercial impressions and in the parties' goods. With respect to the strength of Opposer's COACH mark, the court noted:

> The fame of the registered mark plays a "dominant" role in the *DuPont* analysis, as famous marks "enjoy a wide latitude of legal protection." *Recot, Inc. v. M.C. Becton,* 214 F.3d 1322, 1327 (Fed. Cir. 2000); [citation]. A famous mark is one that has "extensive public recognition and renown." *Bose Corp. v. QSC Audio Prods. Inc.,* 293 F.3d 1367, 1371 (Fed. Cir. 2002); [citation].
>
> Fame for purposes of likelihood of confusion is a matter of degree that "varies along a spectrum from very strong to very weak." [Citation.] Relevant factors include sales, advertising, length of use of the mark, market share, brand awareness, licensing activities, and variety of goods bearing the mark. *Recot*, 214 F.3d at 1326; *see also Bose*, 293 F.3d at 1371 ("[O]ur cases teach that the fame of a mark may be measured indirectly, among other things, by the volume of sales and advertising expenditures of the goods traveling under the mark, and by the length of time those indicia of commercial awareness have been evident.")…
>
> It is well-established that fame is insufficient, standing alone, to establish likelihood of confusion. *Univ. of Notre Dame Du Lac v. J.C. Gourmet Food Imports Co.,* Inc., 703 F.2d 1372, 1374 (Fed. Cir. 1983) ("Likely . . . to cause confusion means more than the likelihood that the public will recall a famous mark on seeing the same mark used by another.") (internal quotations omitted). Although fame cannot overwhelm the other *DuPont* factors, we are mindful that it "deserves its full measure of weight in assessing likelihood of confusion." *Recot*, 214 F.3d at 1328 (noting that "fame alone cannot overwhelm the other *DuPont* factors as a matter of law").
>
> To show the strength and fame of its mark, CSI introduced the following evidence before the Board:
>
> • CSI began using the COACH mark at least as early as December 28, 1961.
>
> • There are approximately 400 COACH retail stores throughout all 50 states.
>
> • CSI's COACH products are sold by approximately 1,000 third-party retailers throughout the US.
>
> • In 2008, CSI's annual sales were roughly $3.5 billion.
>
> • In 2008, CSI spent "about $30-60 million a year" on advertising.
>
> • CSI has advertised in magazines such as Elle, Vogue, Vanity Fair, and The New Yorker.

• CSI has advertised in newspapers in major metropolitan areas.

• CSI's COACH products have received unsolicited publicity from newspapers and magazines discussing fashion trends.

• CSI has been the subject of articles that refer to the renown of its products.

• CSI's internal brand awareness study, which issued in March 2008, showed a high level of awareness of the COACH brand for women between the ages of 13-24.

• CSI's COACH products are the subject of counterfeiting.

Based on this evidence, the Board found that CSI's COACH mark is famous for purposes of likelihood of confusion. Substantial evidence supports this finding….

On the similarity of marks factor, although the court found that the parties' marks were identical as to sight and sound, it emphasized the differences in meaning and commercial impression as follows:

As noted, Triumph's applications seek to register COACH in standard character form, COACH in a stylized font, and COACH with a mascot and the tagline "America's Best for Student Success." It is undisputed that the word marks for both parties are identical in sound and appearance: they both use the word "Coach." This fact is significant to the similarity inquiry. We, nevertheless, agree with the Board that, despite their undisputed similarity, the marks have different meanings and create distinct commercial impressions. This is particularly true given that the word "coach" is a common English word that has many different definitions in different contexts.

Specifically, we find that substantial evidence supports the Board's determination that Triumph's COACH mark, when applied to educational materials, brings to mind someone who instructs students, while CSI's COACH mark, when used in connection with luxury leather goods, including handbags, suitcases, and other travel items, brings to mind traveling by carriage. We agree with the Board that these distinct commercial impressions outweigh the similarities in sound and appearance, particularly since, as discussed below, the parties' goods are unrelated. [Citation.] Accordingly, this factor favors Triumph.

With respect to the other *DuPont* factors considered by the Board and the overall balance, the court also agreed with the Board:

3. Similarity of the Goods

… [T]he Board found, and we agree, that the parties' goods are unrelated…

4. Channels of Trade and Classes of Customers

> … [T]he Board did not err in concluding that the goods are not related and the channels of trade are distinct. Although there could be some overlap in the classes of purchasers for the parties' products, we agree it is unlikely that, in the circumstances in which the products are sold, customers would associate CSI's COACH brand products with educational materials used to prepare students for standardized tests. And, there is nothing in the record to suggest that a purchaser of test preparation materials who also purchases a luxury handbag would consider the goods to emanate from the same source. [Citation.] Accordingly, substantial evidence supports the Board's decision that this factor favors Triumph.
>
> ...
>
> …On the record before us, and after weighing the relevant *DuPont* factors de novo, we agree with the Board that customer confusion is not likely between the parties' respective COACH marks. Although CSI's COACH mark is famous for likelihood of confusion purposes, the unrelated nature of the parties' goods and their different channels of trade weigh heavily against CSI. Absent overlap as to either factor, it is difficult to establish likelihood of confusion. Because the *DuPont* factors favoring Triumph outweigh the factors favoring CSI, the Board was correct in finding no likelihood of confusion.

[The court went on to affirm the Board's finding of no likely dilution, see excerpt of the dilution decision Chapter 9.B *infra,* but vacated and remanded on the question of whether Applicant's mark was merely descriptive without secondary meaning].

## QUESTIONS

**1.** As to similarity of marks, the court found this factor weighed in favor of the plaintiff asserting the similarity of the LION versus STONE LION marks, but against the plaintiff asserting the COACH versus COACH marks. Is this divergence justified?

**2.** The court in *Coach Services* found that plaintiff's COACH mark is famous for the purpose of its likelihood of confusion analysis. Should the test of fame be the same as the test of fame for dilution under section 43(c)(1)? *See Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee en 1722*, 396 F.3d 1369 (Fed. Cir. 2005) ("While dilution fame is an either/or proposition—fame either does or does not exist—likelihood of confusion fame "varies along a spectrum from very strong to very weak'"). What effect does third-party use of a term have on the evaluation of fame? For example, where the term MOTOWN had originated as a mark for musical sound recordings, should the fact that people subsequently

referred to the city of Detroit, where the mark owner is located, as "Motown" diminish the strength of the MOTOWN mark? *See UMG Recordings Inv. v. Mattel Inc.*, 100 U.S.P.Q.2d 1868 (T.T.A.B. 2011).

**3.** How should the Board rule in an appeal of an Examiner's finding of likelihood of confusion between JAWS and JAWS DEVOUR YOUR HUNGER for "streaming of audiovisual material via an Internet channel providing programming related to cooking," based on the registered mark JAWS for "video recordings in all formats all featuring motion pictures" and on the fame of the JAWS movie? Recall the statement in *Stone Lion* that the marks are compared for the goods and services identified in the application or registration and not "real world conditions." *See In re Mr. Recipe*, 118 U.S.P.Q.2d 1084 (T.T.A.B. March 18, 2016).

**Page 239. Replace the last sentence of the Note: "Differences in Likely Confusion Analysis" with the following sentence and add the following case and Question:**

The Supreme Court recently considered the differences in registration decisions by the Board and infringement decisions by the court in the following case.

**B&B HARDWARE, INC. v. HARGIS INDUSTRIES, INC.**
135 S. Ct. 1293; 191 L. Ed.2d 222 (2015)

JUSTICE ALITO delivered the opinion of the Court:

Sometimes two different tribunals are asked to decide the same issue. When that happens, the decision of the first tribunal usually must be followed by the second, at least if the issue is really the same. Allowing the same issue to be decided more than once wastes litigants' resources and adjudicators' time, and it encourages parties who lose before one tribunal to shop around for another. The doctrine of collateral estoppel or issue preclusion is designed to prevent this from occurring.

This case concerns the application of issue preclusion in the context of trademark law. Petitioner, B&B Hardware, Inc. (B&B), and respondent Hargis Industries, Inc. (Hargis), both use similar trademarks; B&B owns SEALTIGHT while Hargis owns SEALTITE. Under the Lanham Act, … an applicant can seek to register a trademark through an administrative process within the United States Patent and Trademark Office (PTO). But if another party believes that the PTO should not register a mark because it is too similar to its own, that party can oppose registration before the Trademark Trial and Appeal Board (TTAB). Here, Hargis tried to register the mark SEALTITE, but B&B opposed SEALTITE's registration. After a lengthy proceeding, the TTAB agreed with B&B that SEALTITE should not be registered.

In addition to permitting a party to object to the registration of a mark, the Lanham Act allows a mark owner to sue for trademark infringement. Both a registration proceeding and a suit for trademark infringement, moreover, can occur at the same time. In this case, while the TTAB was deciding whether SEALTITE should be registered, B&B and Hargis were also litigating the SEALTIGHT versus SEALTITE dispute in federal court. In both registration proceedings and infringement litigation, the tribunal asks whether a likelihood of confusion exists between the mark sought to be protected (here, SEALTIGHT) and the other mark (SEALTITE).

The question before this Court is whether the District Court in this case should have applied issue preclusion to the TTAB's decision that SEALTITE is confusingly similar to SEALTIGHT. Here, the Eighth Circuit rejected issue preclusion... We disagree [and] hold that a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met. We therefore reverse the judgment of the Eighth Circuit and remand for further proceedings.. . .

...

To obtain the benefits of registration, a mark owner files an application with the PTO. . . .

If a trademark examiner believes that registration is warranted, the mark is published in the Official Gazette of the PTO. §1062. At that point, "[a]ny person who believes that he would be damaged by the registration" may "file an opposition." §1063(a). Opposition proceedings occur before the TTAB (or panels thereof). §1067(a). The TTAB consists of administrative trademark judges and high-ranking PTO officials, including the Director of the PTO and the Commissioner of Trademarks. §1067(b).

Opposition proceedings before the TTAB are in many ways "similar to a civil action in a federal district court." [Citation.] These proceedings, . . . are largely governed by the Federal Rules of Civil Procedure and Evidence. [Citation.] The TTAB also allows discovery and depositions. [Citation.] The party opposing registration bears the burden of proof,… and if that burden cannot be met, the opposed mark must be registered, [Citation.]

The primary way in which TTAB proceedings differ from ordinary civil litigation is that . . . there is no live testimony. Even so, the TTAB allows parties to submit transcribed testimony, taken under oath and subject to cross-examination, and to request oral argument. [Citation].

When a party opposes registration because it believes the mark proposed to be registered is too similar to its own, the TTAB evaluates likelihood of confusion by applying some or all of the 13 factors set out in *In re E. I. DuPont de Nemours & Co.,* 476 F. 2d 1357 (CCPA 1973). After the TTAB decides whether to register the mark, a party can seek review in the U.S. Court of Appeals for the Federal Circuit, or it can file a new action in district court. *See* 15 U.S. C. §1071. In district court, the parties can conduct additional discovery and the judge resolves registration *de novo*. [Citations.]

The Lanham Act, of course, also creates a federal cause of action for trademark infringement. The owner of a mark, whether registered or not, can bring suit in federal court if another is using a mark that too closely resembles the plaintiff's. The court must decide whether the defendant's use of a mark in commerce "is likely to cause confusion, or to cause mistake, or to deceive" with regards to the plaintiff's mark. *See* 15 U.S. C. §1114(1)(a) (registered marks); §1125(a)(1)(A) (unregistered marks). In infringement litigation, the district court considers the full range of a mark's usages, not just those in the application.

B

Petitioner B&B and respondent Hargis both manufacture metal fasteners. B&B manufactures fasteners for the aerospace industry, while Hargis manufactures fasteners for use in the construction trade. Although there are obvious differences between space shuttles and A-frame buildings, both aerospace and construction engineers prefer fasteners that seal things tightly. . .

. . .

For purposes here, we pick up the story in 2002, when the PTO published SEALTITE in the Official Gazette. This prompted opposition proceedings before the TTAB, complete with discovery, including depositions. . . .

Invoking a number of the *DuPont* factors, the TTAB sided with B&B. The Board considered, for instance, whether SEALTIGHT is famous (it's not, said the Board), how the two products are used (differently), how much the marks resemble each other (very much), and whether customers are actually confused (perhaps sometimes). Concluding that "the most critical factors in [its] likelihood of confusion analysis are the similarities of the marks and the similarity of the goods," the TTAB determined that SEALTITE--when "used in connection with 'self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings'"--could not be registered because it "so resembles" SEALTIGHT when "used in connection with fasteners that provide leakproof protection from liquids and gases, fasteners that have a captive o-ring, and 'threaded or unthreaded metal fasteners and other related hardware . . . for use in the aerospace industry' as to be likely to cause confusion." Despite a right to do so, Hargis did not seek judicial review in either the Federal Circuit or District Court.

All the while, B&B had sued Hargis for infringement. Before the District Court ruled on likelihood of confusion, however, the TTAB announced its decision. After a series of proceedings not relevant here, B&B argued to the District Court that Hargis could not contest likelihood of confusion because of the preclusive effect of the TTAB decision. The District Court disagreed, reasoning that the TTAB is not an Article III court. The jury returned a verdict for Hargis, finding no likelihood of confusion.

B&B appealed to the Eighth Circuit. Though accepting for the sake of argument that agency decisions can ground issue preclusion, the panel majority affirmed for three reasons: first, because the TTAB uses different factors than the Eighth Circuit

to evaluate likelihood of confusion; second, because the TTAB placed too much emphasis on the appearance and sound of the two marks; and third, because Hargis bore the burden of persuasion before the TTAB, while B&B bore it before the District Court. 716 F. 3d 1020 (2013). Judge Colloton dissented, concluding that issue preclusion should apply. After calling for the views of the Solicitor General, we granted certiorari. 573 U.S. , 134 S. Ct. 2899, 189 L. Ed. 2d 854 (2014).

. . .

IV

[W]e turn to whether there is a categorical reason why registration decisions can never meet the ordinary elements of issue preclusion... Although many registrations will not satisfy those ordinary elements, that does not mean that none will. We agree with Professor McCarthy that issue preclusion applies where "the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed." 6 McCarthy §32:99, at 32-244; see also 3 *Gilson* §11.08[4][i][iii][B], p. 11-319 ("Ultimately, Board decisions on likelihood of confusion . . . should be given preclusive effect on a case-by-case basis").

A

The Eighth Circuit's primary objection to issue preclusion was that the TTAB considers different factors than it does. Whereas the TTAB employs some or all of the *DuPont* factors to assess likelihood of confusion, the Eighth Circuit looks to similar, but not identical, factors identified in *SquirtCo v. Seven-Up Co.,* 628 F. 2d 1086, 1091 (CA8 1980). The court's instinct was sound: "[I]ssues are not identical if the second action involves application of a different legal standard, even though the factual setting of both suits may be the same." 18 C. Wright, A. Miller, & E. Cooper, Federal Practice & Procedure §4417, p. 449 (2d ed. 2002) (hereinafter Wright & Miller). Here, however, the same likelihood-of-confusion standard applies to both registration and infringement.

To begin with, it does not matter that registration and infringement are governed by different statutory provisions. Often a single standard is placed in different statutes; that does not foreclose issue preclusion. [Citation.] Neither does it matter that the TTAB and the Eighth Circuit use different factors to assess likelihood of confusion. For one thing, the factors are not fundamentally different…. More important, if federal law provides a single standard, parties cannot escape preclusion simply by litigating anew in tribunals that apply that one standard differently. A contrary rule would encourage the very evils that issue preclusion helps to prevent.

The real question, therefore, is whether likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement. We conclude it is, for at least three reasons. First, the operative language is essentially the same; the fact that the registration provision separates "likely" from "to cause confusion, or to cause mistake, or to deceive" does not

change that reality.[3] [Citation.] Second, the likelihood-of-confusion language that Congress used in these Lanham Act provisions has been central to trademark registration since at least 1881... And third, district courts can cancel registrations during infringement litigation, just as they can adjudicate infringement in suits seeking judicial review of registration decisions. [Citation]. There is no reason to think that the same district judge in the same case should apply two separate standards of likelihood of confusion.

Hargis responds that the text is not actually the same because the registration provision asks whether the marks "resemble" each other, 15 U.S. C. §1052(d), while the infringement provision is directed towards the "use in commerce" of the marks, §1114(1)… There is some force to this argument. It is true that "a party opposing an application to register a mark before the Board often relies only on its federal registration, not on any common-law rights in usages not encompassed by its registration," and "the Board typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party differs." Brief for United States as *Amicus Curiae* 23; see also *id.,* at 5 (explaining that "the Board typically reviews only the usages encompassed by the registration") (citing 3 *Gilson* §9.03[2][a][ii]); 3 McCarthy §20:15, at 20-45 (explaining that for registration "it is the mark as shown in the application and as used on the goods described in the application which must be considered, not the mark as actually used"). This means that unlike in infringement litigation, "[t]he Board's determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages." Brief for United States as *Amicus Curiae* 23.

Hargis' argument … mistakes a reason not to apply issue preclusion in some or even many cases as a reason never to apply issue preclusion. Just because the TTAB does not always consider the *same usages* as a district court does, it does not follow that the Board applies a *different standard* to the usages it does consider. If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation. By contrast, if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should "have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue." 6 McCarthy §32:101, at 32-246.

…

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[3] Compare 15 U.S.C. §1114(1) ("Any person who shall . . . use in commerce any . . . 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, or to cause mistake, or to deceive* . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided" (emphasis added)) with §1052(d) ("No trademark . . . shall be refused registration . . . unless it . . . [c]onsists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office . . . as to be *likely*, when used on or in connection with the goods of the applicant, *to cause confusion, or to cause mistake, or to deceive* . . ." (emphasis added)).

*A fortiori*, if the TTAB considers a different mark altogether, issue preclusion would not apply. Needless to say, moreover, if the TTAB has not decided the same issue as that before the district court, there is no reason why any deference would be warranted.

For a similar reason, the Eighth Circuit erred in holding that issue preclusion could not apply here because the TTAB relied too heavily on "appearance and sound." Undoubtedly there are cases in which the TTAB places more weight on certain factors than it should. When that happens, an aggrieved party should seek judicial review. The fact that the TTAB may have erred, however, does not prevent preclusion. As Judge Colloton observed in dissent, "'issue preclusion prevent[s] relitigation of wrong decisions just as much as right ones.'" 716 F. 3d, at 1029 (quoting *Clark v. Clark,* 984 F. 2d 272, 273 (CA8 1993)); see also *Restatement (Second) of Judgments* §28, Comment j, at 284 (explaining that "refusal to give the first judgment preclusive effect should not . . . be based simply on a conclusion that [it] was patently erroneous").

B

Hargis also argues that …the TTAB uses procedures that differ from those used by district courts. Granted, "[r]edetermination of issues is warranted if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation." *Montana,* 440 U.S., at 164, n. 11, 99 S. Ct. 970, 59 L. Ed. 2d 210; *see also Parklane Hosiery,* 439 U.S., at 331, and n. 15, 99 S. Ct. 645, 58 L. Ed. 2d 552 (similar). But again, this only suggests that sometimes issue preclusion might be inappropriate, not that it always is.

No one disputes that the TTAB and district courts use different procedures. Most notably, district courts feature live witnesses. Procedural differences, by themselves, however, do not defeat issue preclusion… Rather than focusing on whether procedural differences exist--they often will--the correct inquiry is whether the procedures used in the first proceeding were fundamentally poor, cursory, or unfair. *See Montana,* 440 U.S., at 164, n. 11, 99 S. Ct. 970, 59 L. Ed. 2d 210.

Here, there is no categorical "reason to doubt the quality, extensiveness, or fairness," *ibid.,* of the agency's procedures. In large part they are exactly the same as in federal court. *See* 37 CFR §§2.116(a), 2.122(a). For instance, although "[t]he scope of discovery in Board proceedings . . . . is generally narrower than in court proceedings"--reflecting the fact that there are often fewer usages at issue--the TTAB has adopted almost the whole of Federal Rule of Civil Procedure 26. [Citation.] It is conceivable, of course, that the TTAB's procedures may prove ill-suited for a particular issue in a particular case, *e.g.,* a party may have tried to introduce material evidence but was prevented by the TTAB from doing so, or the TTAB's bar on live testimony may materially prejudice a party's ability to present its case. The ordinary law of issue preclusion, however, already accounts for those "rare" cases where a "compelling showing of unfairness" can be made. *Restatement (Second) of Judgments* §28, Comments g and j, at 283-284.

. . .

C

Hargis also contends that the stakes for registration are so much lower than for infringement that issue preclusion should never apply to TTAB decisions. Issue preclusion may be inapt if "the amount in controversy in the first action [was] so small in relation to the amount in controversy in the second that preclusion would be plainly unfair." *Restatement (Second) of Judgments* §28, Comment j, at 283-284. After all, "[f]ew . . . litigants would spend $50,000 to defend a $5,000 claim." Wright & Miller §4423, at 612. Hargis is wrong, however, that this exception to issue preclusion applies to every registration. To the contrary: When registration is opposed, there is good reason to think that both sides will take the matter seriously.

The benefits of registration are substantial. Registration is "prima facie evidence of the validity of the registered mark," 15 U.S. C. §1057(b), and is a precondition for a mark to become "incontestable," §1065. Incontestability is a powerful protection. *See, e.g., Park'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 194, 105 S. Ct. 658, 83 L. Ed. 2d 582 (1985) (holding that an incontestable mark cannot be challenged as merely descriptive); (citation).

The importance of registration is undoubtedly why Congress provided for *de novo* review of TTAB decisions in district court. It is incredible to think that a district court's adjudication of particular usages would not have preclusive effect in another district court. Why would unchallenged TTAB decisions be different? Congress' creation of this elaborate registration scheme, with so many important rights attached and backed up by plenary review, confirms that registration decisions can be weighty enough to ground issue preclusion.

V

For these reasons, the Eighth Circuit erred in this case. On remand, the court should apply the following rule: So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.

The judgment of the United States Court of Appeals for the Eighth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

JUSTICE GINSBURG, concurring.

The Court rightly recognizes that "for a great many registration decisions issue preclusion obviously will not apply." That is so because contested registrations are often decided upon "a comparison of the marks in the abstract and apart from their marketplace usage." 6 J. McCarthy, Trademarks and Unfair Competition §32:101, p. 32-247 (4th ed. 2014). When the registration proceeding is of that character, "there

will be no [preclusion] of the likel[ihood] of confusion issue . . . in a later infringement suit." *Ibid.* On that understanding, I join the Court's opinion.

[The dissenting opinion of Justice Thomas is omitted].

**QUESTION**

B&B registered SEALTIGHT for metal fasteners and hardware for use in the aerospace industry; while Hargis sought to register SEALTITE for metal screws for use in the manufacture of metal and post-frame buildings. Does the fact that the parties' respective registration and application reflected the actual uses of their products suggest that the Board's analysis of likely confusion would mirror that of the court's? How should the case be decided on remand? *See B & B Hardware, Inc. v. Hargis Indus.*, 800 F.3d 427 (8th Cir. 2015).

**Page 242. Add the following citation at the end of Question 2:**

*In re Aquamar, Inc.,* 115 U.S.P.Q.2d 1122 (T.T.A.B. 2015) (MARAZUL for fish and seafood products confusingly similar to BLUE SEA for fish and frozen fish where MAR AZUL means "blue sea" in Spanish).

**Pages 242-244. Delete *Nutrasweet* decision and Questions 1, 2 and 3 following that decision.**

**4. Section 2(e)(2) and (3) of the Lanham Act: Geographic Terms**

**Page 248-252. Delete *In re Joint-Stock Company "Baik"* and add the following case and Question:**

**IN RE THE NEWBRIDGE CUTLERY CO.**
776 F.3d 854 (Fed. Cir. 2015)

LINN, CIRCUIT JUDGE.

The Newbridge Cutlery Company (the "applicant") appeals from the decision of the Trademark Trial and Appeal Board (the "Board") affirming the Trademark Examiner's refusal to register applicant's NEWBRIDGE HOME mark as being primarily geographically descriptive. [Citation.] Because substantial evidence fails to support the Examiner's refusal, we reverse and remand.

BACKGROUND

Applicant is an Irish company headquartered in Newbridge, Ireland, that designs, manufactures and sells housewares, kitchen ware and silverware in the United States and elsewhere around the world under the mark NEWBRIDGE HOME.

Applicant designs its products in Newbridge, Ireland, and manufactures some, but not all, of its products there. . . .

. . .

…[W]hile the genesis of the refusal to register geographical names was to prevent a first registrant from preempting all other merchants from identifying the source of their goods, the focus of the 1946 Lanham Act moved to a more nuanced restriction that considered the primary significance of the mark when applied to the goods.

...

This court's predecessor provided considerable guidance in interpreting the statutory language relating to primarily geographical marks in *Nantucket*, a pre-NAFTA case dealing with primarily geographically deceptively misdescriptive marks. *See* 677 F.2d 95. The PTO rejected the mark NANTUCKET for shirts because it considered the mark primarily geographically deceptively misdescriptive, as the "term NANTUCKET has a readily recognizable geographic meaning, and no alternative non-geographic significance." *Id*. at 97; [citation]. The Court of Customs and Patent Appeals reversed, concluding that there was no showing of an association in the public's mind between the place, i.e., Nantucket, and the marked goods, i.e., the shirts. *See id*. at 101. The court explained:

> "The wording of [§ 1052(e)] makes it plain that not all terms which are geographically suggestive are unregistrable. Indeed, the statutory language declares nonregistrable only those words which are 'primarily geographically descriptive.' The word 'primarily' should not be overlooked, for it is not the intent of the federal statute to refuse registration of a mark where the geographic meaning is minor, obscure, remote, or unconnected with the goods. Thus, if there be no connection of the geographical meaning of the mark with the goods in the public mind, that is, if the mark is arbitrary when applied to the goods, registration should not be refused under § 2(e)(2)."

*Id*. at 99; [citation].

. . . The rationale for allowing registration of marks that relevant consumers do not view as primarily geographic is that the consumer would consider such marks "arbitrary." [Citations.] That the phrase "when applied to the goods of the applicant" was replaced, in 1988, with the phrase "when used on or in connection with," did not change the law. *Nantucket*'s interpretation of § 1052(e) is bolstered by the legislative history, which indicates that this section was introduced to eliminate rejections of geographical trademarks made without reference to their connotations to consumers in association with the goods or services for which the marks are used.

. . . As the statute uses the phrase "primarily geographically" in both the descriptive and deceptively misdescriptive subsections, this court's decisions relating to one subsection inform the meaning of the other and make clear that to

refuse registration under either subsection the Trademark Examiner must show that: (1) "the mark sought to be registered is the name of a place known generally to the public," *Vittel*, 824 F.2d at 959, and (2) "the public would make a goods/place association, i.e., believe that the goods for which the mark is sought to be registered originate in that place." *Id. Accord In re Miracle Tuesday, LLC*, 695 F.3d 1339, 1343 (Fed. Cir. 2012) (describing analogous factors for primarily geographically deceptively misdescriptive marks) (citing *Cal. Innovations*, 329 F.3d at 1341).

To refuse registration of a mark as being primarily geographically descriptive, the PTO must also show that (3) "the source of the goods is the geographic region named in the mark." *Bernier*, 894 F.2d at 391. [Citation]. In applying prongs (1) and (2) of this test, our precedent establishes that the relevant public is the purchasing public in the United States of these types of goods. As we made clear in *Vittel*, "we are not concerned with the public in other countries." [Citation.]

> Regarding the first prong of the test, that the population of the location is sizable and/or that members of the consuming public have ties to the location (to use the example in *Loew's*: that Durango, Mexico, would be recognized by "the Mexican population of this country") is evidence that a location is generally known. *See Loew's*, 769 F.2d at 766, 768. By contrast, that the geographic meaning of a location is "minor, obscure [or] remote" indicates that the location is not generally known. . . .

In establishing the goods/place association required by the second prong of the test, we have explained that the PTO only needs to show "a *reasonable predicate* for its conclusion that the public would be *likely* to make the particular goods/place association on which it relies." *Miracle Tuesday*, 695 F.3d at 1344 [citation]. It need not show an "actual" association in consumers' minds. [Citation]. A goods/place association can be shown even where the location is not "'well known'" or "'noted'" for the relevant goods. *Cal. Innovations*, 329 F.3d at 1338 (quoting *Loew's*, 769 F.2d at 767). If the Trademark Examiner establishes such a *prima facie* case, an applicant may rebut this showing with evidence "that the public would not actually believe the goods derive from the geographic location identified by the mark." *In re Save Venice New York, Inc.*, 259 F.3d 1346, 1354 (Fed. Cir. 2001).

The PTO has long held that where: (1) a location is generally known; (2) the term's geographic significance is its primary significance; and (3) the goods do, in fact, originate from the named location, a goods/place association can be presumed. [Citations.] This presumption may well be proper, but, as this case can be decided on other grounds, we do not address its propriety and leave it for another day.

III. The Examiner's Refusal

The Examiner found that the primary significance of the word "Newbridge" is a "generally known geographic place," i.e., Newbridge, Ireland, and that the goods originated there. The Examiner then applied the TMEP's presumption that a goods/place association existed. The word "home," according to the Examiner, was "generic or highly descriptive" and, therefore, did not affect the geographic

significance of the term. Accordingly, the Examiner rejected the mark under § 1052(e)(2).

. . .

The conclusion that Newbridge, Ireland, a town of less than twenty thousand people, is a place known generally to the relevant American public is not supported by substantial evidence. That Newbridge is the second largest town in County Kildare and the seventeenth largest in the Republic of Ireland reveals nothing about what the relevant American purchaser might perceive the word "Newbridge" to mean and is too insignificant to show that Newbridge is a place known generally to the American purchasing public. Similarly, while the Board relied on the *Columbia Gazetteer of the World* listing, what is missing is any evidence to show the extent to which the relevant American consumer would be familiar with the locations listed in this gazetteer.

Likewise, the fact that Newbridge, Ireland, is mentioned on some internet websites does not show that it is a generally known location. The internet (and websites such as Wikipedia) contains enormous amounts of information: some of it is generally known, and some of it is not. [Citation]. There is simply no evidence that the relevant American consumer would have any meaningful knowledge of all of the locations mentioned in the websites cited by the PTO.

Further, it is simply untenable that any information available on the internet should be considered known to the relevant public. The fact that potential purchasers have enormous amounts of information instantly available through the internet does not evidence the extent to which consumers of certain goods or services in the United States might use this information to discern the primary significance of any particular term….

To be clear, we do not foreclose the PTO from using gazetteer entries or internet websites to identify whether a location is generally known. [Citation.] For example, we have credited gazetteer entries as part of the evidence used to establish that Durango, Mexico, was generally known. [Citation.] But the gazetteer showing was just one piece of evidence that together with other evidence was sufficient to establish a *prima facie* case that Durango is known generally to the relevant public. Gazetteer entries and internet websites are valuable for the information they provide. But the mere entry in a gazetteer or the fact that a location is described on the internet does not necessarily evidence that a place is known generally to the relevant public. *See Vittel*, 824 F.2d at 959 ("In dealing with all of these questions of the public's response to word symbols, we are dealing with the supposed reactions of a segment of the American public, in this case the mill-run of cosmetics purchasers, not with the unusually well-travelled, the aficionados of European watering places, or with computer operators checking out the meaning of strange words on NEXIS.").

. . . That Newbridge, Ireland, is not generally known is supported by the fact that certain maps and atlases do not include it. That "Newbridge" has other meanings,

both geographical and non-geographical, also makes it less likely that Newbridge, Ireland, is generally known as the name of a place....

In sum, the facts here are similar to those of the Board's decision in *Bavaria*, . . . which held that Jever, West Germany, a town of 10,342, was not generally known, despite being mentioned in a geographical index… *Bavaria*, 222 U.S.P.Q. 926. Here, as in *Bavaria*, the evidence as a whole suggests that Newbridge, Ireland, is not generally known. Thus, to the relevant public the mark NEWBRIDGE is not *primarily* geographically descriptive of the goods, which is what matters. [Citation.] Prong one of the test for primarily geographically descriptive marks is therefore not met. Accordingly, we need not and do not separately consider whether a goods/place association exists.

CONCLUSION

For the foregoing reasons, we reverse the Board's refusal to register applicant's mark under § 1052(e)(2) and remand for further proceedings consistent with this opinion.

**QUESTION**

The *Newbridge* decision notes that the Board routinely presumes a goods/place association if the goods come from the named place and the primary significance of the named place is a generally known geographic term. The decision, however, takes no position on the propriety of such a presumption. What do you think?

**Page 259. Delete Question 2 and Renumber Question 3 as Question 2.**

**Page 260. Insert the following Note before "Geographically Suggestive Marks":**

## NOTE: THE CUBAN EMBARGO AND HAVANA CLUB RUM

A long-running dispute between two claimants for the HAVANA CLUB mark in the United States for rum has taken another twist, perhaps due to the thawing of Cuban-U.S. relations. The Arechabala family manufactured rum in Cuba and sold HAVANA CLUB rum in the U.S. starting in the 1930s. In exile after seizure of the Cuban business during the Cuban Revolution, the family nevertheless owned a U.S. registration, but the registration lapsed in 1973. Cubaexport, owned by the Cuban government, applied for and received a U.S. registration for the same mark in 1976, which it renewed in 1996. Bacardi bought the rum business from the Arechebalas in 1994 and applied to register the mark, which application is still pending. Most recently in 2011, the Court of Appeals for the District of Columbia ruled in Bacardi's

favor and upheld the prior denial to Cubaexport of an exception to the Cuban Assets Control Regulations of 1998 and thus its ability to further renew the registration. *Empresa Cuban Exportadora de Alimentos y Productos Varios, dba Cubaexport v. Dept. of the Treasury*, 638 F.3d 794 (D.C. Cir. 2011). The Supreme Court denied certiorari. Cubaexport then re-sought an exception, which this time was granted. It then petitioned to renew the registration as of 2006 based on excusable nonuse due to the embargo. The USPTO granted the petition and the renewal. The grace period for this renewal will run out on July 27, 2016. To be continued.

# Chapter 5

# LOSS OF TRADEMARK RIGHTS

## A. GENERICISM

### 1. Development of the Standard

**Page 288. Insert after LYCRA example:**

For examples of brand owner efforts to influence how their brands are used by journalists, *see* "Kleenex is a Registered Trademark (and Other Desperate Appeals)" at http://www.theatlantic.com/business/archive/2014/09/kleenex-as-a-registered-trademark-and -other-appeals-to-journalists/380733/.

**Page 289. Insert the following case and Note after "How To Use a Trademark Properly":**

**Elliot v. Google, Inc.**, 45 F.Supp.3d 1156 (D. Ariz. 2014). Google's guidelines caution not to use "Google" as a verb. Sidney Diamond gives the same advice to brand owners. The question as to whether widespread use of a mark as a verb renders it generic arose with respect to the GOOGLE mark in this case. Plaintiffs had acquired over 700 domain names that coupled "google" with another brand, person or place, e.g. googledisney.com, googlebarackobama.com and googlemexicocity.com. Google brought a UDRP proceeding in which the arbitrator ordered transfer of the domain names to Google. *See generally* Chapter 11. The plaintiffs instituted the court action seeking a declaration that GOOGLE is generic and cancellation of two GOOGLE registrations. Google counterclaimed for trademark dilution and cybersquatting as well as state claims. Plaintiffs moved for summary judgment to cancel the registrations as generic.

The plaintiffs' primary argument centered on widespread usage of "Google" as a verb. The district court forcefully rejected this argument and noted that there are two kinds of uses of a mark as a verb.

> Verb use of a trademark is not fundamentally incapable of identifying a producer or denoting source. A mark can be used as a verb in a discriminate sense so as to refer to an activity with a particular product or service, e.g., "I will PHOTOSHOP the image" could mean the act of manipulating an image by using the

> trademarked Photoshop graphics editing software developed and sold by Adobe Systems. This discriminate mark-as-verb usage clearly performs the statutory source-denoting function of a trademark.
>
> However, a mark can also be used as a verb in an indiscriminate sense so as to refer to a category of activity in general, e.g., "I will PHOTOSHOP the image" could be understood to mean image manipulation by using graphics editing software other than Adobe Photoshop. This use commandeers PHOTOSHOP to refer to something besides Adobe's trademarked product. Such indiscriminate mark-as-verb usage does not perform the statutory trademark function; instead, it functions as a synecdoche describing both a particular species of activity (e.g. using Adobe's PHOTOSHOP brand software) and the genus of services to which the species belongs (e.g. using image manipulation software in general).

The district court rejected that prevalence of even the second type of usage necessarily renders a mark generic because the proper test is the primary significance of the term to the public.

> It cannot be understated that a mark is not rendered generic merely because the mark serves a synecdochian "dual function" of identifying a particular species of service while at the same time indicating the genus of services to which the species belongs. S. Rep. No. 98-627,4 at 5 (1984), *reprinted in* 1984 U.S.C.C.A.N. 5718, 5722 (explaining "dual function" use "is not conclusive of whether the mark is generic"); *accord* 15 U.S.C. § 1064(3) ("A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service."). Nor is a mark "generic merely because it has some significance to the public as an indication of the nature or class of an article. . . . In order to become generic the principal significance of the word must be its indication of the nature or class of an article, rather than an indication of its origin." *Feathercombs, Inc. v. Solo Prods. Corp.*, 306 F.2d 251, 256 (2d Cir. 1962) (emphasis added). Moreover, "casual, non-purchasing uses of [marks] are not evidence of generic usage" because primary significance is determined by" 'the use and understanding of the [mark] in the context of purchasing decisions.'" 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 12:8 (4th ed. 2014) (*quoting* Restatement (Third) of Unfair Competition § 15 cmt. c (1995)).

After considering the evidence of record, which contained expert and survey evidence offered by the parties, including a Teflon study proffered by Google that showed over 90% of the respondents identified GOOGLE as a brand name, the

district court granted judgment for Google as a matter of law on the genericism issue, stating:

> … Plaintiffs cannot supplant the primary-significance test with a frequency-of-verb-use test to cancel the GOOGLE mark, which they admit refers to "one of the largest, most recognized, and widely used internet search services in the world."

**NOTE: CAN GENERICISM BE GOOD FOR BUSINESS?**

In some situations, potential brand owners have concluded that the more third parties that use a particular term, the better it will be for that owner's business. For example, Huy Fong Foods never sought to register "Sriracha" as a brand for a hot pepper sauce or tried to enforce rights in the term because the owner concluded that widespread usage would popularize the product and benefit his business. This strategy paid off as his sales skyrocketed. The PTO also prevented third parties from registering the term as a mark, finding it to be generic, so the originator was not blocked by any third party. T. Geigner, "Sriracha Boss on Trademark: Mmmmm, No Thanks," techdirt (Feb. 15, 2015). *See also Sandshaker Lounge & Package Store LLC v. Quietwater Entm't, Inc.,* 602 Fed. Appx. 784 (11th Cir. 2015) (originator of "Bushwacker" drink acquiesced in widespread third-party usage of name and co-existed with neighboring bar for nearly two decades in using the term for festivals celebrating the drink; court found the failure to police meant the term did not function as a mark and affirmed cancellation of the neighbor's trademark registration).

## 2. Implementing the Standard: Survey Evidence

**Page 294. Delete *In re Country Music Association* and insert the following case excerpts:**

**Princeton Vanguard, LLC v. Frito-Lay North America, Inc.***,* 786 F.3d 960 (Fed. Cir. 2015). The Federal Circuit vacated the Board's decision in **Frito-Lay North America, Inc. v. Princeton Vanguard, LLC**, 109 U.S.P.Q.2d 1949 (T.T.A.B. 2014) and remanded for further proceedings. The Board found PRETZEL CRISPS to be generic for "pretzel crackers." Both parties had submitted dueling *Teflon* studies with opposite results. The Board described the parties' surveys but ultimately the Board appeared to place little reliance on either survey as shown in the excerpt below:

Dr. Alex Simonson … was retained as an expert by counsel for plaintiff. … The screening criteria were defined as follows: "purchasers of salty snacks at supermarkets or grocery stores within the past 6 months or likely purchasers of salty snacks at supermarkets or grocery stores within the coming 6 months." In a "double-blind" survey, his interviewers conducted interviews, by phone, in the following manner, of 250 survey participants:

> 1. The interviewer read aloud to survey respondents definitions of "category names" (generic names) and "brand names" and asked if survey participants understood the definition of a common name and a brand name. Only 2 respondents indicated they did not, and they were removed from the survey. 248 then continued on.
> 2. Participants who said they understood the difference between a category name and brand name were then read a list of names individually for food and some unrelated products and asked whether they thought each name was a category name, a brand name, "don't know", or "not sure." The list, with results, follows:

Results By Name:

| Name | Brand | Category | Don't know/ Not Sure |
|---|---|---|---|
| RITZ BITZ | 82% | 12% | 7% |
| LUCKY CHARMS | 87% | 10% | 3% |
| I-POD | 61% | 28% | 11% |
| AMERICAN AIRLINES | 89% | 9% | 2% |
| TRISCUIT | 80% | 13% | 7% |
| PRETZEL CRISPS | 41% | 41% | 18% |
| GINGER ALE | 25% | 72% | 3% |
| AUTOMOBILE | 9% | 91% | 1% |
| POTATO CHIPS | 8% | 90% | 2% |
| NEWSPAPER | 5% | 93% | 2% |
| POPCORN | 6% | 93% | 1% |

… Dr. Simonson concluded…: "The results indicate that PRETZEL CRISPS is not perceived by a majority of relevant consumers as a brand name." Defendant's expert, Dr. E. Deborah Jay … noted several problems with his methodology including the following: 1) the universe of survey participants was underinclusive, including only those who purchase salty snacks at certain places; 2) there were two options of giving no opinion, both "don't know" and "not sure," which may have confused participants, and caused some to choose one or the other incorrectly; and, perhaps most importantly 3) Dr. Simonson did not conduct a mini-test to ascertain whether survey participants understood the difference between brand and common (or category) names, but rather he simply *asked* whether they did. Indeed, as pointed

out by Dr. Jay, only two survey participants indicated they did not, or less than 1%.

We agree with Dr. Jay's criticisms of Dr. Simonson's survey. With respect to Dr. Simonson's failure to administer an initial mini-test, an analogous situation was at issue in the recently decided case of *Sheetz of Del., Inc. v. Doctor's Assocs.,* 108 USPQ2d 1341, 1360 (TTAB 2013). In *Sheetz*, the Board determined that "[a]sking a respondent whether he or she understood the difference is not the same as *testing* whether she or he understood the difference." (emphasis in original). As the Board there noted, we can give "little weight" to a survey where a mini-test was not performed and we do not know whether survey participants actually understood what they were being asked. *Id.* at 1361-1362 (citation). We reach this conclusion further on the basis that the two "don't know" and "not sure" answers potentially were confusing to survey participants, and may have lead those who understood the survey question to elect to indicate they did not. Accordingly, for these reasons, we give Dr. Simonson's findings little probative weight.

b. Jay survey conducted on behalf of defendant.

Dr. E. Deborah Jay … was retained as an expert by counsel for defendant.... The screening criteria were defined as adults who had "personally purchased salty snacks for themselves or for someone else in the past three months or think that they would do this in the next three months." Initially 500 adults were screened, but only 222 were found eligible after meeting the screening criteria in a "double-blind" survey, conducted by phone. As a screening gateway, in the *Teflon* format, respondents were given an explanation of the difference between brand and common names, and then asked both whether BAKED TOSTITOS is a brand or common name, and whether TORTILLA CHIPS is a brand or common name. Only those who answered both correctly proceeded with the survey. Those respondents then were questioned about a number of "brand" or "common" names with the option of "don't know."

Of the 222 respondents who proceeded in the survey, the results were as follows:

| Name | Brand | Common | Don't know/ Haven't Heard |
|---|---|---|---|
| SUN CHIPS | 96% | 3% | <1% |
| CHEESE NIPS | 85% | 13% | 2% |
| PRETZEL CRISPS | 55% | 36% | 9% |
| FLAVOR TWISTS | 48% | 34% | 18% |
| GOURMET POPCORN | 25% | 72% | 3% |
| ONION RINGS | 8% | 91% | 1% |
| MACADAMIA NUT | 7% | 92% | <1% |

… Dr. Jay concluded in her report: "The survey found that the primary significance of the name 'PRETZEL CRISPS' to past and prospective purchasers of salty snacks is as a brand name and not a common (generic) name. Fifty-five percent of survey respondents thought that 'PRETZEL CRISPS' was a brand name, whereas 36% thought 'PRETZEL CRISPS' was a common (or generic) name."

Dr. Simonson was retained by counsel for plaintiff to rebut the conclusions of Dr. Jay. He noted that less than 65% of the initial group "of qualified respondents" was entered into the survey due to the underinclusive nature of the questions, and that accordingly, the Jay survey is flawed.

...

We accordingly, find on this record that the designation 'PRETZEL CRISPS' is generic for 'pretzel crackers. ' In making this determination, while we consider the entirety of the record, including the surveys (which in any event arrive at different conclusions), we give controlling weight to the dictionary definitions, evidence of use by the public including use by the media and by third-parties in the food industry, and evidence of use by defendant itself.

On appeal, the Federal Circuit reversed and remanded. The appellate court noted that the Board applied an incorrect legal standard:

[D]etermining a mark's genericness requires "a two-step inquiry: First, what is the genus of goods or services at issue? Second, is the term sought to be registered or retained on the register understood by the relevant public primarily to refer to that genus of goods or services?"*[Marvin Ginn Corp. v. Int'l Ass'n of Fire Chiefs, Inc.,* 782, F.2d 987] at 990 [(Fed. Cir. 1986)]. Evidence of the public's understanding of the mark may be obtained from "any competent source, such as consumer surveys, dictionaries, newspapers and other publications." *In re Northland Aluminum Prods., Inc.*, 777 F.2d 1556, 1559 (Fed. Cir. 1985)….

Applying the first prong of the *Marvin Ginn* test, the Board defined the genus of goods at issue as "pretzel crackers." Turning to the second prong, the Board identified the relevant public as "ordinary consumers who purchase and eat pretzel crackers." Neither party disputes these findings on appeal.

… Although the Board acknowledged that the ultimate inquiry is whether the mark as a whole is generic, it then cited *In re Gould Paper Corp.*, 834 F.2d 1017 (Fed. Cir. 1987), for the proposition that, "in cases where the proposed mark is a compound term (in other words a combination of two or more terms in ordinary grammatical construction), genericness may be established with evidence of the

> meaning of the constituent words." The Board indicated that, "[b]y contrast, 'where the proposed mark is a phrase . . . the board cannot simply cite definitions and generic uses of the constituent terms of a mark; it must conduct an inquiry into the meaning of the disputed phrase as a whole.'" (quoting *Dial-A-Mattress*, 240 F.3d at 1345 (citing *In re Am. Fertility Soc'y*, 188 F.3d 1341, 1347 (Fed. Cir. 1999)).
>
> . . . According to the Board, if the mark is a compound term, then *Gould* applies, and it can focus on the individual words, but if it is a phrase, *American Fertility* requires that the Board consider the mark in its entirety. Because the Board found "no additional meaning added to 'PRETZEL CRISPS' in relation to 'pretzel crackers,' when the individual terms are combined," the Board analyzed it as a compound term. The Board then considered the terms individually and concluded that "pretzel" is generic for pretzels and pretzel snacks, and "crisps" is generic for crackers.
>
> The problem with the Board's analysis is … to suggest that the Board can somehow short-cut its analysis of the public's perception where "the purported mark is a compound term consisting merely of two generic words." As discussed below, however, there is no such short-cut...

The Federal Circuit also criticized the Board's treatment of the survey evidence, noting:

> One of our sister circuits has indicated that "direct consumer evidence, e.g., consumer surveys and testimony is preferable to indirect forms of evidence." *Berner Int'l Corp. v. Mars Sales, Co.*, 987 F.2d 975, 982-83 (3d Cir. 1993) ("Consumer surveys have become almost de rigueur in litigation over genericness"). We likewise have recognized that "consumer surveys may be a preferred method of proving genericness." *BellSouth Corp. v. DataNational Corp.*, 60 F.3d 1565, 1570 (Fed. Cir. 1995).
>
> ....
>
> The record here contains significant evidence in the form of declarations, survey evidence, and evidence of use of PRETZEL CRISPS in the snack food industry and by the media . . . [T]he Board . . . cannot focus primarily on evidence of the word "crisps" in isolation, select a few pieces of evidence involving the combined term "pretzel crisps," and conclude that the trademark is generic. Nor can it disregard the results of survey evidence without explanation. . . .
>
> . . . [T]he Board expressly agreed with Dr. Jay's criticisms of Dr. Simonson's survey and gave his findings "little probative weight." In particular, the Board concluded that the two "don't know" and "not sure" answers "potentially were confusing to survey participants, and may have le[d] those who understood the survey question to elect to

> indicate they did not." As to Dr. Jay's survey, which found that 55% of respondents thought that PRETZEL CRISPS was a brand name, the Board merely noted Dr. Simonson's criticism, which was that "less than 65% of the initial group 'of qualified respondents' was entered into the survey due to the underinclusive nature of the questions." The Board did not agree with this critique, however. Nor did the Board call into question Dr. Jay's conclusion that "the primary significance of the name 'PRETZEL CRISPS' to past and prospective purchasers of salty snacks is as a brand name." Nevertheless, in finding the mark generic, the Board indicated that it considered the evidence of record "including the surveys (which in any event arrive at different conclusions)," but gave controlling weight to dictionary definitions, evidence of use by the public, and evidence of use by Princeton Vanguard. The Board seems to have treated the surveys as though they cancelled each other out, but failed to offer any explanation for doing so. The Board thus overlooked or disregarded a genericness survey as to which it apparently found no flaw. On remand, the Board will have the opportunity to make the relevant factual findings based on all of the evidence of record, and must give appropriate consideration to the proffered survey evidence.

**Tiffany and Co. v. Costco Wholesale Corp.**, 127 F. Supp.3d 241 (S.D.N.Y. 2015). Tiffany sued Costco for its use of Tiffany on display case signage for the sale of rings, such as, "605880 – Platinum Tiffany .70 VS2, 1 Round Diamond Ring." Costco counterclaimed that Tiffany was generic for a particular type of ring setting. The court dismissed the counterclaim as a matter of law and credited plaintiff's Teflon-type survey:

> Dr. Jacoby administered the survey to … 464 men and women ages 21 and older who said that they would consider purchasing certain types of jewelry over the course of two years. … The population was … split into groups … some respondents were shown the word Tiffany in isolation, others were shown point of sale signage like that used by Costco….
>
> … [I]n isolation, approximately 9 out of 10 of likely consumers considered it to be a brand identifier. … [I]n the context of point of sale signage …, nearly 4 out of 10 consumers … believed it was being used as a brand name, and another 3 out of 10 … thought it was both brand name and descriptive word. … Dr. Jacoby … conclu[ded] that "regardless of whether used in isolation or shown the way it appeared on the tags affixed to diamond engagement rings sold by Costco, the term Tiffany is understood and used by the relevant consuming public not as a descriptive or generic term, but as a brand or source identifier."…

The district court rejected Costco's contention that Tiffany has two independent meanings, as a brand name and as a descriptor of a type of ring setting, depending on the context:

> … Dr. Nunberg notes that the foundational question of Jacoby's study "presupposes that Tiffany must be either a trademark for jewelry or a generic term for a ring setting, and cannot be both -- that is, we could not be dealing with two homonymous words, one a brand name and the other an independent adjective applying to certain jewelry settings that has no logical or historical relation to the brand…. Professor Nunberg also offers his own genericism report, which consists of a lexicographical study of the word Tiffany. After studying an array of dictionary treatments, specialized jewelry guides, advertisements drawn from newspapers and ads produced by Tiffany, Nunberg concludes that "[a]ll available evidence overwhelmingly indicates that Tiffany is and for more than 100 years has been a generic name for a type or style of jewelry setting in which a single gemstone is held by several prongs . . . the style name Tiffany and the trademark Tiffany are and for more than 100 years have been two different words having two very different meanings."
>
> ...
>
> … Costco has proffered no affirmative evidence that raises a material issue of fact with respect to the issue of whether the primary significance of the Tiffany mark to the relevant public is as a generic descriptor or a brand identifier. The question of "primary significance" is the key to a determination of genericism, [citation] and none of the evidence that Costco has proffered on this point contravenes the results of Dr. Jacoby's study. The Court therefore holds that Costco has not raised a genuine issue of material fact with respect to its genericism counterclaim, and finds that Tiffany is entitled to summary judgment dismissing it.

**Page 295. Delete Question 2 and insert the following Question 2:**

**2.** Given the Federal Circuit's statement that "consumer surveys may be a preferred method of proving genericness," is the Board free to decide either way on remand of the PRETZEL CRISPS case? Did the Board in *Tiffany* properly dismiss Costco's counterclaim of genericness as a matter of law based on the survey evidence despite the lexicographic evidence to the contrary?

## B. ABANDONMENT

### 1. Non Use

**Page 321. Delete *Crash Dummy Movie* opinion and *Specht v. Google* district court opinion and add the *Specht* appellate decision below:**

**SPECHT v. GOOGLE, INC.**
747 F.3d 929 (7th Cir. 2014)

ROVNER, CIRCUIT JUDGE

. . .

Background

Inspired by the recent success of a number of technology start-ups, Erich Specht decided in 1998 to enter the business world himself. He designed a suite of e-commerce software and formed Android Data Corporation (ADC), through which he intended to license the software to clients. ADC also performed a number of other web-based services to clients, including website hosting and design, and computer consulting services. Two years later, Specht applied to register the trademark "Android Data" with the United States Patent and Trademark Office. The application was approved in 2002.

Despite the trademark's approval, by the end of 2002 ADC stopped major operations. That year, the company lost five clients, prompting Specht to lay off his only employee, cancel ADC's internet service contract, and move the business into his home. Signifying the end of ADC's life, he transferred all of ADC's assets, including its software and the registered "Android Data" mark, to another of his wholly-owned companies, The Android's Dungeon, Incorporated (ADI). Specht spent all of the next year unsuccessfully seeking a buyer for ADC's assets. As ADC was idle, he also shut off its phone line that year.

After 2002, Specht's business activities were limited. He continued to host ADC's website a while longer and conducted some hosting services for others. But he let the registration for the company's URL (androiddata.com) lapse in 2005, at which time he could no longer be reached at his associated email address. Specht passed out business cards in 2005 bearing the Android Data mark, but the record does not disclose how many, to whom, or why.

In 2007, about five years after he first began to wind down ADC's operations, Specht attempted to revive the use of the Android Data mark. First, to promote his software suite to catalog companies, Specht sent out a mass mailing in December 2007 with the Android Data mark. These mailings garnered no sales. Second, two

months later, Specht attempted to license his software to a healthcare consulting firm, also to no avail. He made no other use of "Android Data" in 2007 or the next year. In April 2009, he used the mark once again when he resurrected his website, albeit with a slightly different URL (android-data.com) because his previous URL had by then been registered by a third party. He also assigned the Android Data mark to ADI, retroactive to the December 2002 asset transfer.

Meanwhile, during the years that Specht struggled with his shrinking business, another technology start-up calling itself "Android, Incorporated" began developing what would become known as the Android operating system for smart phones. Google purchased Android, Inc., in 2005. Two years after the purchase, Google released to the public a beta version of its Android software. This release, in November 2007, occurred about a month before Specht had attempted to revive his use of the Android Data mark in his mail mailing that December.

. . .

Specht, ADC, and ADI sued Google, the founders of Android, Inc., and the Open Handset Alliance . . . over the use of the Android mark. The plaintiffs (whom we will, except where necessary, refer to simply as "Specht") raise two claims under the Lanham Act: one for trademark infringement, *see* 15 U.S.C. § 1114(1), and one for unfair competition, *see id.* § 1125(a). . . .

. . .

. . . Google . . . sought a declaration that Specht had abandoned the mark, depriving him and his companies of any rights to it. . . . [and] asked the district court to cancel the plaintiff's mark.

. . . Google moved for summary judgment, . . . [T]he district court ruled that all of Specht's claims failed as a matter of law. The district court also issued Google's requested declaration, and canceled Specht's registration.

. . .

. . . A trademark is abandoned if its "use in commerce" has been discontinued with no intent to resume use. 15 U.S.C. § 1127; [citation]. Under the Lanham Act, "[n]onuse for 3 consecutive years shall be prima facie evidence of abandonment," 15 U.S.C. § 1127. A prima facie showing of abandonment may be rebutted with evidence excusing the nonuse or demonstrating an intent to resume use. [Citation.] But the intent to resume use in commerce must be formulated within the three years of nonuse. *ITC Ltd. v. Punchgini, Inc.,* 482 F.3d 135, 149 n.9 (2d Cir. 2007); *Imperial Tobacco Ltd., Assignee of Imperial Group PLC v. Philip Morris, Inc.,* 899 F.2d 1575, 1581 (Fed. Cir. 1990). Furthermore, the use must pertain to the sale of goods or provision of services. *See* 15 U.S.C. § 1127; *United Drug Co. v. Theodore Rectanus Co.,* 248 U.S. 90, 97, 39 S. Ct. 48, 63 L. Ed. 141, 1918 Dec. Comm'r Pat. 369 (1918); *Rearden LLC v. Rearden Commerce, Inc.,* 683 F.3d 1190, 1204 (9th Cir. 2012); *Int'l*

*Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco,* 329 F.3d 359, 364 (4th Cir. 2003).

Under these principles, this appeal turns on three dates: the date (if any) that Specht discontinued using the Android Data mark, the date Google began using the Android mark in commerce and acquired rights to it, and the date (if any) that Specht intended to resume use of the mark. . . .

With respect to Specht's discontinued use of the mark, the evidence is conclusive that Specht ceased using the Android Data mark at the end of 2002. That is the year that ADC essentially shut down after losing five clients, laying off its one employee, and transferring its assets to ADI. Specht cites to four activities that he believes show his continued use of the Android Data mark after 2002, but they are insufficient.

First Specht notes that he attempted to sell his business's assets in 2003 and 2004. But an effort to sell the assets of a business is different from trading on the goodwill of a trademark to sell a business's goods or services and therefore does not constitute a use of the mark in commerce. *See Electro Source, LLC v. Brandess-Kalt-Aetna Grp., Inc.,* 458 F.3d 931, 938 n.5 (9th Cir. 2006). Second, Specht observes that ADC's phone service was not canceled until 2003. But Specht included any phone expenses from 2003 on ADC's 2002 balance sheet precisely because, in his view, ADC did not operate in 2003.

The remaining two activities are also insufficient to show a resumption of use. Specht points out that ADC's website was operating until 2005, and a website that bears a trademark may constitute a bona fide use in commerce. [Citation.] But Specht did not identify any goods or services ADC could have provided through or in connection with the website after 2002. [Citations]. As such, the website was not a use in commerce. Specht's reply that the site averaged 2,925 monthly visitors (actually the record shows only 808 monthly visits), goes nowhere because he furnished no evidence of any commercial interest associated with the visits. Finally, Specht maintains that his two sales efforts in 2007 (the mass mailing and his failed bid to license software to a healthcare firm) are evidence of commercial use of the mark. But these two efforts were isolated and not sustained; sporadic attempts to solicit business are not a "use in commerce" meriting the protection of the Lanham Act. *See Zazu Designs v. L'Oreal, S.A.,* 979 F.2d 499, 503 (7th Cir. 1992); *Aktieselskabet AF 21. November 2001 v. Fame Jeans Inc.,* 525 F.3d 8, 20, 381 U.S. App. D.C. 76 (D.C. Cir. 2008). The district court, therefore, correctly determined that Specht had abandoned the mark at the end of 2002.

. . .

. . . Google became the senior user of the Android mark when it used the mark in commerce in November 2007. By then, the Android mark lay abandoned. Once a mark is abandoned, it returns to the public domain, and may be appropriated anew.

*See Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. P'Ship,* 34 F.3d 410, 412 (7th Cir. 1994); *ITC Ltd.,* 482 F.3d at 147. By adopting the abandoned mark first, Google became the senior user, entitled to assert rights to the Android mark against the world. Its use since November 2007 has been uninterrupted and continuous. That is enough to warrant trademark protection. *See Zazu Designs,* 979 F.2d at 503; *Blue Bell, Inc. v. Farah Mfg. Co., Inc.,* 508 F.2d 1260, 1265 (5th Cir. 1975) ("even a single use in trade may sustain trademark rights if followed by continuous commercial utilization"); *see also Planetary Motion, Inc. v. Techsplosion, Inc.,* 261 F.3d 1188, 1194-95 (11th Cir. 2001) (release of software to end users is use in commerce even though no sale was made).

Specht replies that, even if he had abandoned the mark after 2002, he either resumed using or developed an intent to resume using the Android Data mark by December 2007, again citing his mass mailing. But by then it was too late. Specht had abandoned the mark by the end of 2002, and more than three years had passed before Google publicized its release of the Android operating system in November 2007. With the mark permanently abandoned by November 2007, Specht could not reclaim it the following month. The district court therefore correctly granted summary judgment on all of Specht's claims. *See TMT N. Amer. v. Magic Touch GmbH*, 124 F.3d 876, 885 (7th Cir. 1997) . . . ("abandonment ... result[s] in the loss of trademark rights against the world").

**Page 325. Add new Questions 5 and 6:**

**5.** Non-use for three years creates a rebuttable presumption of abandonment. Is the *Specht* court correct in finding that intent to resume use must be evidenced in the same three-year period?

**6.** What type of use can be considered to show that an abandonment has not occurred? Should a member of a former band that ceased recording many years earlier be able to rely on receipt of royalties for sales of the older recordings in order to prove use? *See Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, 736 F.3d 1239 (9th Cir. 2013), *infra*, Chapter 12.A.

**Page 330. Delete *American Association for Justice* and add the following cases:**

**Wells Fargo & Co. v. ABD Insurance & Financial Services, Inc.** 758 F.3d 1069 (9th Cir. 2014). Wells Fargo moved for a preliminary injunction against the defendant for use of the mark ABD. Wells Fargo had previously acquired the original ABD Insurance company and changed the name to Wells Fargo, but continued to use the ABD mark in various ways. Former ABD employees started a new company and changed its name to ABD when Wells Fargo did not renew the registration for the mark. The Ninth Circuit reversed the district court's denial of a preliminary

injunction and remanded for a reconsideration under the correct abandonment analysis.

> The district court also abused its discretion by misapplying the law in its abandonment analysis when it considered evidence of prospective intent to abandon the mark to determine whether Wells Fargo's uses were bona fide and in the ordinary course of business. To prove abandonment of a mark as a defense to a claim of trademark infringement, a defendant must show that there was: "(1) discontinuance of trademark use *and* (2) intent not to resume such use." *Electro Source, LLC v. Brandess-Kalt-Aetna Grp., Inc.,* 458 F.3d 931, 935 (9th Cir. 2006). The phrase "trademark use" means "the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in a mark." *Id.* at 936 (quoting 15 U.S.C. §1127). Even a "single instance of use is sufficient against a claim of abandonment of a mark if such use is made in good faith." *Carter-Wallace, Inc. v. Procter & Gamble Co.,* 434 F.2d 794, 804 (9th Cir. 1970). All bona fide uses in the ordinary course of business must cease before a mark is deemed abandoned.
>
> We have said that "unless the trademark use is actually terminated the intent not to resume use prong of abandonment does not come into play." *Electro Source,* 458 F.3d at 937-38. "[A] prospective intent to abandon says nothing about whether use of the mark has been discontinued." *Id.* at 937.
>
> The district court held that Wells Fargo abandoned the ABD mark, reasoning that Wells Fargo's continued uses of the ABD mark were not bona fide and in the ordinary course of trade because such uses were "residual. . . or in the context of a historical background" given Wells Fargo's rebranding efforts. The district court's abandonment findings were flawed for two significant reasons. First, prospective intent to abandon is not properly considered when examining whether bona fide uses of the mark in the ordinary course of business have ceased, and the district court erred when it considered Wells Fargo's intent to rebrand ABD in that context. Second, the district court misconstrued the breadth of uses included within the scope of a "bona fide use in the ordinary course of trade." Courts must consider the totality of the circumstances surrounding the use, and "even a declining business retains, may benefit from, or may continue to build its goodwill until it shuts its doors or ceases use of its marks." *Id*. at 938. In this case, Wells Fargo continued to use the mark in several ways, most notably in customer presentations and solicitations. Such uses demonstrate Wells Fargo's business calculation that it could continue to benefit from the goodwill and mark recognition associated with ABD, and we conclude that Wells Fargo continued its bona fide

> use of the mark in the ordinary course of business through these uses. Thus, the district court erred by concluding that Wells Fargo abandoned the ABD mark, contrary to the principles of *Electro Source*.

**Macy's, Inc. v. Strategic Marks, LLC.,** 117 U.S.P.Q.2d 1743 (N.D. Cal. 2016). Macy's acquired many regional department stores, such as Abraham & Strauss, Filene's, Jordan Marsh, Robinson's, Bullock's and May Company, but in 2006 rebranded these and other stores under the Macy's brand. Macy's set up "Macy's Heritage Shop" on its website, describing each of its heritage brands and selling T-shirts and totes bearing these marks. Strategic Marks is in the business of reviving brands that have been abandoned and launched a website retrodepartmentstores.com. Strategic included 20 of Macy's heritage marks on this site where it described these historical brands and sold T-shirts. Macy's sued and moved for partial summary judgment on 8 of the 20 brands Strategic adopted. The district court rejected Strategic Brands' arguments that Macy's use was not cognizable because it was either merely ornamental or not bona fide and granted partial summary judgment to Macy's on these eight brands for which Macy's owned registrations for clothing.

> In general, a designation that is solely "ornamental" cannot be a trademark. [Citation.] Rather, a designation must "identify the goods as coming from a certain source and distinguish it from other sources . . .." [Citations.] …Merely because a design, symbol, or designation is decorative or ornamental does not mean that it cannot also serve the trademark purpose of identifying the source of the goods that bear it." Instead, the …Trademark Trial and Appeal Board has long held that ornamentation on apparel, including shirts manufactured by third parties, qualify as trademark use if the particular ornamentation serves as an indication of a secondary source of origin, e.g., the source of a shirt other than the direct manufacturer. For example, if a t-shirt with the stylized "Cal" logo was sold, Champion may be the direct manufacturer but the University of California, Berkeley, would be the secondary source that authorized Champion to produce and distribute the shirt bearing the school's registered trademark.
>
> ...
>
> …Simply because a store has ceased operations does not mean that its …owner does not maintain a valid interest in the registered trademark of the business. A trademark can still exist and be owned even after a store closes. If an accused infringer uses the mark, a consumer may still be confused as to whether the owner of the trademark authorized or licensed the infringer. [Citations.] It does not matter whether the public knows the identity of the owner of the mark. [Citations.]
>
> ...

> Strategic Marks …argues that the registered trademarks are invalid because the disputed marks are not used in commerce. As defined by the statute, the term "use in commerce" requires "bona fide use of the mark in the ordinary course of trade, and not made merely to reserve a right in a mark." 15 U.S.C. § 1127....
>
> There can be no real question that Macy's offers products displaying the disputed trademark for commercial sale on its website…. Instead, Strategic Marks argues that the Court should apply a "totality of the circumstances test" to determine whether the disputed marks are adequately used in commerce. …
>
> Here, Strategic Marks …argues that the Court should …find that Macy's actual sales activities are not genuine.… Strategic Marks provides no evidence to support its claim, such as sales figures or a showing that the products sold on the Heritage Shop website have never in fact been available for sale. The Court finds there is no genuine factual dispute as to whether the disputed marks were used in commerce, and concludes that Macy's has a protectable interest in the disputed marks.

All was not lost for Strategic Marks. Macy's and Strategic later entered into a settlement in which Macy's gave up six dormant heritage names to Strategic, including Jordan Marsh, I. Magnin, Bamberger's, Robinson-Mays, Foleys and Bullock's.

**Page 332. Delete Question 5 and substitute new Questions 5 and 6 and add the following cases:**

**5.** The uses by Wells Fargo that the court considered bona fide uses in commerce were presumably transitional. If Wells Fargo ceases such uses, would the defendant then be free to adopt the ABD mark again? If Wells Fargo believed it was making bona fide use of the ABD mark, why did it not renew its registration? Compare the uses by Macy's on its Heritage Shop. Potentially, will Macy's be able to continue use of its heritage marks indefinitely?

**6.** In 2008, Lehman Brothers, a financial investment powerhouse for over a century, filed for bankruptcy and sold its investment business to Barclay's. Lehman Brothers was granted a perpetual license by Barclays to use the mark in connection with certain businesses, including liquidating the highly valuable assets of Lehman Brothers, such as commercial real estate. Lehman Brothers emerged from bankruptcy and uses the Lehman Brothers name on business cards, stationery and signage at its offices at a prestigious Times Square building. Although Barclay's did not maintain the numerous LEHMAN BROTHERS registrations that it acquired in 2008, Barclays filed an ITU application to register the mark LEHMAN BROTHERS for various Class 36 financial services on October 2, 2013. Meanwhile, Tiger Lily, a UK

company, filed an ITU application for LEHMAN BROTHERS on March 6, 2013 for beer and spirits and on June 2, 2014 for bar and restaurant services. Tiger Lily's intended SNAPFIRE, ASHES OF DISASTER and EVERGREEN (with nose: "wicked suggestion of burning banknotes") products are shown below:




Tiger Lily's website shows the products against photos of New York City buildings, including one with money floating in the air. Both entities have opposed the other's application(s). What arguments would you make for each to prevail?

**Dragon Bleu (SARL) v. VENM, LLC,** 112 U.S.P.Q.2d 1925 (T.T.A.B. 2014). Recall that trademark applicants who file based on a foreign registration under section 44(e) or on an extension of an International Registration under section 66(a) are not required to make use of the mark in commerce prior to issuance of the registration. However, such registrations are still subject to attack after registration for abandonment through non-use. The Board considered what date should be the starting point for measuring non-use for such registrations. The Board first considered what is the appropriate start date of non-use for registrations issuing from use-based or ITU applications.

> When an applicant relying on use in commerce as a basis for registration under Trademark Act Section 1, 15 U.S.C. § 1051, ceases use of its mark prior to the issuance of the registration with no intent to resume use, the application or registration is subject to a claim of abandonment in an opposition or cancellation proceeding. In such a case it is appropriate to include in the period of nonuse any pre-registration nonuse subsequent to that applicant's declaration of use. *See ShutEmDown Sports, Inc. v. Lacy*, 102 USPQ2d 1036, 1042 (TTAB 2012) (for registration issued from Section 1(a)-based application, three-year period of nonuse measured from respondent's filing date); and *Consolidated Cigar Corp. v. Rodriguez*, 65 USPQ2d 1153, 1155 (TTAB 2002) (holding that for an application based on Trademark Act Section

> 1(b), plaintiff cannot assert a three-year period of nonuse that began prior to defendant's filing of its allegation of use).

Thus, the nonuse period starts from the filing date of use-based applications and from the allegation of use date of ITU applications. By contrast, the Board stated no pre-registration period can be counted as part of the period of nonuse for registrations that issue from section 66(a) or 44(e) applications.

> …Unlike applications filed under Section 1, an applicant under Section 66(a) is not required to use its mark in United States commerce (or declare that the mark is in such use) at any time prior to registration. [Citations.] . . . [L]ike all registrants, a Section 66(a) registrant must use the registered mark in commerce in order to avoid abandonment of its registration. *Saddlesprings, Inc. v. Mad Croc Brands, Inc.*, 104 USPQ2d 1948, 1951 (TTAB 2012). Therefore, the question at issue is: What is the earliest point in time from which the period of nonuse may be measured for an abandonment claim with respect to a Section 66(a) registration? . . . [W]e look to how an abandonment claim must be pleaded and proved for a Section 44(e) registration, which is similar to a registration under Trademark Act Section 66(a) insofar as use of the applied-for mark is not required prior to registration.
>
> In *Imperial Tobacco [Ltd. v.Philip Morris Inc.*, 899 F.2d 1575], the Court of Appeals for the Federal Circuit held that for a registration issued under Section 44(e) of the Trademark Act …, the period of nonuse which constitutes prima facie evidence of abandonment does not begin until the registration issues. *Imperial Tobacco*, ("A Section 44(e) registrant is merely granted a dispensation from actual use prior to registration, but after registration, there is no dispensation of use requirements….) Thus, … the three-year period of nonuse that constitutes prima facie evidence of abandonment begins no earlier than the date of registration. Further, in *Imperial Tobacco*, the Federal Circuit looked at the period "from the date of registration up to the time the petition [to cancel] was filed" in determining whether or not a genuine dispute existed as to Imperial's abandonment of its mark. [Citation.]

The Board concluded that in order to rely on the presumption of abandonment after 3 years nonuse, petitioners will need to wait at least 3 years after the registration date of a 66(a) or 44(e) application. If the period of nonuse is shorter, the petitioner will not be able to rely on the presumption and will instead need to allege and prove nonuse and an intent not to resume use.

> The question raised in the present case…is closely analogous to the one addressed in *Imperial Tobacco*. Because use is not required for an application filed under … Section 66(a), we hold that in order to sufficiently plead a claim for cancellation … on grounds of abandonment for nonuse, the plaintiff must allege, as of the date the claim is filed, either:

(a) three or more consecutive years of nonuse commencing no earlier than the date on which the registration was issued; or,

(b) if [such period of non-use]… is less than three years, facts supporting nonuse after the date of registration, coupled with [facts supporting] an intent not to resume use.

**Jack Wolfskin Ausrustung Fur Draussen GmbH v. New Millenium Sports, S.L.U.**, 797 F.3d 1363 (Fed. Cir. 2015). Mark owners sometimes modify or modernize their marks over time. Such changes can lead to challenges that the original mark has been abandoned, which can have an impact on priority. In, the court articulated when an abandonment occurs so that a mark owner cannot tack back to the priority of the original mark. New Millenium's original mark was


Since 2004, it has used a modified mark shown here:


The Federal Circuit found that the standard for tacking is the same whether the question is abandonment or priority.

> In both contexts--priority and abandonment--the fundamental inquiry is the same: has the original mark been so substantially altered such that third parties would not expect that presently used mark to be used under and protected by the registration.. Our case law recognizes that it would be wrong to allow a trademark owner to claim priority to a mark that creates a different commercial impression from the mark currently in use. This same inequity exists when a trademark owner seeks to avoid abandonment of the originally registered mark even though the current mark is a materially different version. We hold that the same legal standard applies in both contexts. Accordingly, when a trademark owner uses a modified version of its registered trademark, it may avoid abandonment of the original mark only if the modified version "create[s] the same, continuous commercial impression."

In applying this standard to the KELME and Design mark, the Federal Circuit noted:

> Despite the stylistic modifications, the mark that New Millennium currently uses still consists of the literal KELME element and the paw print design element. The KELME portion still appears in all capital, block

style lettering. The minor adjustment to the font is not sufficient to warrant a finding that consumers would view these as different marks. Likewise, Jack Wolfskin presents no persuasive reason why the alterations to the design element change the commercial impression that the mark creates. As the Board stated, "[i]t appeared to be a paw before, and now it still appears to be a paw." *Id.* For these reasons, we conclude that the Board's finding that New Millennium did not abandon its registered mark by migrating to a modernized version of its mark is supported by substantial evidence. A reasonable fact-finder could conclude that the new version creates the same continuing commercial impression as the registered mark. We therefore affirm the Board's dismissal of Jack Wolfskin's cancellation counterclaim.

### 3. Naked Licensing

**Page 339. Insert the following case excerpt and Question after the Questions:**

**Dzhunaydov v. Emerson Electric Co.,** 2016 U.S. Dist. LEXIS 34747 (E.D.N.Y Mar. 17, 2016). In order to be valid, a license must include quality control. However, if a licensor is responsible for quality of a product, that fact can make it a target in a product liability suit. The plaintiff Dzhunaydov sued for injury to his hand caused by a table saw and included Emerson, the licensor of the trademark for the saw, as a defendant. The district court granted summary judgment to Emerson based on its limited role in quality control of the product.

> Under New York law, "[a] trademark licensor cannot be held liable for injuries caused by a defective product bearing its label where the licensor did not design, manufacture, sell, distribute or market the allegedly defective item." *D'Onofrio v. Boehlert,* 221 A.D.2d 929, 635 N.Y.S.2d 384, 385 (4th Dep't 1995); *see also Bova v. Caterpillar, Inc.,* 305 A.D.2d 624, 761 N.Y.S.2d 85, 87 (2d Dep't 2003) ("Liability cannot be imposed on a party that was outside the chain of manufacturing, selling, or distributing a product."); *Auto. Ins. Co. of Hartford Connecticut v. Murray, Inc.,* 571 F. Supp. 2d 408, 422-23 (W.D.N.Y. 2008) ("Although the actual exercise of control is not required by [case law], the requisite 'capacity' of exercising control must exceed the mere existence of a licensing arrangement. . . .")
>
> ...
>
> Under the licensing agreement, Emerson retained limited authority over the Ridgid mark, akin to a right to approve for quality control. See Defs.' Mot. Sum. J. ("Home Depot . . . agrees that [Emerson] reserves all rights of approval, such approvals not to be unreasonably withheld, which are necessary" to "protect and enhance the reputation and

integrity" of the mark.) There is no evidence, however, that Emerson exercised control over the design of the saw. In fact, the evidence is to the contrary.

...

…[A] Home Depot representative attested to Emerson's limited role as a trademark licensor. "[W]ith respect to the subject [table saw], Emerson was merely the licensor[] of the "Ridgid" trademark to Home Depot. . . . Emerson did not design, manufacture, assemble, test and/or certify the subject table saw, nor did Emerson exercise any significant role in the table saw's final quality or the warnings that accompanied it."

Nonetheless, Dzuhnaydov argues that the licensing agreement demonstrates sufficient control by Emerson to warrant liability under *Automobile Insurance Company of Hartford v. Murray, Inc.*, 571 F. Supp. 2d 408 (W.D.N.Y. 2008). However, in *Murray*, unlike here, the trademark licensor exercised its authority to control and inspect the products bearing its mark, performed quality control visits, and approved the specifications for the product at issue. Even if the present licensing agreement authorized Emerson to exercise such authority, there is no evidence that Emerson actually exercised such authority. *See id*. ("[T]he requisite 'capacity' of exercising control must exceed the mere existence of a licensing agreement.").

Accordingly, the defendants' motion for summary judgment is granted as to all claims against Emerson.

**QUESTION**

Does a trademark licensor face a potential dilemma over exercising too much or too little quality control?

**Page 343. Insert the following text at the end of the *Exxon v. Oxxford* citation and before the Questions:**

*See also Fuel Clothing Co., Inc. v. Nike, Inc.,* 7 F.Supp. 3d 594 (D.S.C. 2014) (defendant's motion for summary judgment based on naked licensing defense denied as to three settlement-type agreements entered into by Fuel Clothing since "as a reasonable jury could interpret the agreement to restrict [the other party's] use of the "fuel" mark and thus prevent an infringing use"; such agreements would not be categorized as licenses even if they contain a phase-out period for certain uses).

# Chapter 6

# INFRINGEMENT

## A. DEFENDANT'S USE IN COMMERCE

**Page 355. Insert the following at the end of *1-800 Contacts, Inc. v. Lens.com, Inc.*:**

On appeal, the Court of Appeals for the 10th Circuit affirmed in part and reversed in part on other grounds, assuming without deciding that the purchase of a keyword could satisfy the use in commerce requirement. *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1242 (10th Cir. 2013).

**Page 359. Add new question 6**:

**6.** Jordan Kahn formed a successful party band that performed under the name "Downtown Fever." Emerald City, a Texas band management business, recruited Kahn to move to Texas, join its company, and oversee its party bands. At Emerald City, Kahn formed a new "Downtown Fever" band, and managed it and the company's other bands. As part of those efforts, Kahn acted as the administrator of Facebook pages and social media accounts for "Downtown Fever" and the other bands. Five years after joining the company, Kahn resigned. After leaving the company, Kahn deactivated the "Downtown Fever" Facebook page and social media accounts, and changed the passwords so that Emerald City would be unable to access them. Emerald City claims to be the owner of the DOWNTOWN FEVER service mark. It demanded that Kahn surrender the Facebook and social media accounts. Kahn refused. Emerald City has sued Kahn for infringement of the DOWNTOWN FEVER mark. Kahn argues that neither deactivating a Facebook account nor blocking Emerald City's access to it should be deemed a "use in commerce" within the meaning of the Lanham Act. How should the court rule? *See Emerald City Management LLC v. Kahn*, 2016 U.S. App. LEXIS 4316 (5th Cir. 2016).

**Page 362. Insert the following image before *McBee v. Delica:***


**Page 366. Add new questions 5 and 6:**

**5.** Frida Kahlo was a Mexican painter whose works attracted widespread acclaim after her death in 1954. In 2005, Kahlo's family sold all of Kahlo's copyrights and trademarks to a Panamanian corporation, which does business as the Frida Kahlo Corporation. The corporation enters into licensing agreements with companies wishing to use the Frida Kahlo mark or images related to Kahlo's art. The corporation has registered FRIDA KAHLO on the principal register in the United States for a variety of consumer products (*e.g.*, women's clothing; kitchenware; beer). Upon hearing reports of an Argentine company that marketed household products bearing images from Kahlo's paintings and marked with her initials to customers in Argentina, Mexico, Costa Rica, and Guatemala, the Frida Kahlo Corporation asked a sales consultant in Mexico to purchase some of the items and mail them to the corporation's Miami offices. The Corporation then filed a trademark infringement suit against the Argentine company and its U.S. corporate parent in the Southern District of Florida. The defendants move to dismiss the complaint, arguing that they have not used any Frida Kahlo mark in commerce within the meaning of section 32 of the Lanham Act. Plaintiff argues that infringing

products are displayed on defendants' Argentine and Mexican websites, which are accessible from the United States, and that purchasers of defendants' Frida Kahlo products have marketed them in the United States on eBay, YouTube, and Facebook. How should the court rule? *See Frida Kahlo Corp. v. Tupperware Corp*., No. 13-21039 (S.D. Fla. March 31, 2014).

**6.** Trader Joe's is a well-known, national grocery store chain with a South Seas motif that claims to sell hard-to-find, great-tasting food at inexpensive prices. The store has registered TRADER JOE'S on the principal register as a service mark for its store and a trademark for its private brand products. Trader Joe's has no stores outside of the United States. Michael Hallatt operates a grocery store in Vancouver, B.C., Canada named "PIRATE JOE'S." He stocks his store, in part, with products that he buys at full price from Trader Joe's stores across the border in Washington State and then imports into Canada, paying customs duties as appropriate. Trader Joe's claims that Hallatt's store violates the Lanham Act; Hallatt insists he has not used Trader Joe's marks in commerce. How should the court rule? *See Trader Joe's Company v. Hallatt*, 981 F.Supp.2d 972 (W.D. Wash. 2013).

## B. LIKELIHOOD OF CONFUSION

### 2. Likelihood of Confusion in the courts

**Page 387. Insert the following case before the Questions:**

**Kraft Foods Group Brands LLC v. Cracker Barrel Old Country Store, Inc**., 735 F. 3d 735 (7th Cir 2013). Kraft has sold supermarket cheddar cheese under the CRACKER BARREL mark since 1954; it registered the mark in 1957. Cracker Barrel Old Country Store (CBOCS) has operated a chain of restaurants since the 1970s. In 2013, CBOCS announced that it was introducing a line of grocery store deli meats to be sold in supermarkets under the CRACKER BARREL OLD COUNTRY STORE mark. Kraft filed a trademark infringement suit. The trial court found a likelihood of confusion and issued a preliminary injunction. The Court of Appeals for the 7th Circuit affirmed. Judge Posner wrote that "[t]he likelihood of confusion seems substantial and the risk to Kraft of the loss of valuable goodwill and control therefore palpable." He had critical words, however, for the survey Kraft relied on to demonstrate likelihood of confusion:

> So the grant of the preliminary injunction must be affirmed. But mainly for future reference we want to say something about the consumer survey that Kraft presented in support of its claim of confusion. Consumer surveys conducted by party-hired expert witnesses are prone to bias. There is such a wide choice of survey designs, none fool-proof, involving such issues as sample selection

and size, presentation of the allegedly confusing products to the consumers involved in the survey, and phrasing of questions in a way that is intended to elicit the surveyor's desired response---confusion or lack thereof--from the survey respondents. [Citations]. Among the problems identified by the academic literature are the following: when a consumer is a survey respondent, this changes the normal environment in which he or she encounters, compares, and reacts to trademarks; a survey that produces results contrary to the interest of the party that sponsored the survey may be suppressed and thus never become a part of the trial record; and the expert witnesses who conduct surveys in aid of litigation are likely to be biased in favor of the party that hired and is paying them, usually generously. ….

Of course, judges and jurors have their own biases and blind spots.

….

Nevertheless it's clear that caution is required in the screening of proposed experts on consumer surveys. Kraft's expert in this case was Hal Poret, an experienced survey researcher, and we won't hold it against him that he appears to be basically a professional expert witness. … Poret was able to obtain a random or at least representative sample of 300 American consumers of whole-ham products, email them photographs of the CBOCS sliced spiral ham, and ask them in the email whether the company that makes the ham also makes other products--and if so what products. About a quarter of the respondents said cheese. It's difficult to know what to make of this. The respondents may have assumed that a company with a logo that does not specify a particular food product doesn't make *just* sliced spiral ham. So now they have to guess what else such a company would make. Well, maybe cheese.

Poret showed a control group of 100 respondents essentially the same ham, but made by Smithfield--and none of these respondents said that Smithfield also makes cheese. Poret inferred from this that the name "Cracker Barrel" on the ham shown the 300 respondents had triggered their recollection of Cracker Barrel cheese, rather than the word "ham" being the trigger. That is plausible, but its relevance is obscure. Kraft's concern is not that people will think that Cracker Barrel cheeses are made by CBOCS but that they will think that CBOCS ham is made by Kraft, in which event if they have a bad experience with the ham they'll blame Kraft.

Also it's very difficult to compare people's reactions to photographs shown to them online by a survey company to their reactions to products they are looking at in a grocery store and trying to decide whether to buy. The contexts are radically different, and the

> stakes much higher when actual shopping decisions have to be made (because that means parting with money), which may influence responses.
>
> ....
>
> We can imagine other types of expert testimony that might be illuminating in a case such as this--testimony by experts on retail food products about the buying habits and psychology of consumers of inexpensive food products. ....
>
> We have doubts about the probative significance of the Poret survey. But the similarity of logos and of products, and of the channels of distribution (and the advertising overlap) if CBOCS is allowed to sell its products through grocery stores under its Cracker Barrel logo, and the availability to the company of alternatives to grocery stores for reaching a large consumer public under the logo, provide adequate support for the issuance of the preliminary injunction.

**Page 387. Add new Question 3:**

**3.** Who is the relevant public for the purpose of assessing whether confusion is likely? *Arrowpoint Capital Corp. v. Arrowpoint Asset Management, LLC*, 793 F.3d 313 (3d Cir. 2015), involved a dispute between two financial services companies, both of which did business using the ARROWPOINT mark. The senior user and owner of multiple registrations for the mark sought a preliminary injunction. To show actual confusion, plaintiff sought to introduce evidence that brokers and dealers had mixed up the two companies or expressed the view that they were affiliated with each other. The district court applied the Third Circuit's multifactor test, found confusion unlikely, and denied the injunction. The judge discounted the proffered evidence of actual confusion among brokers or dealers, reasoning that it did not show any basis for inferring *customer* confusion. The Court of Appeals for the Third Circuit reversed:

> In the present case, the District Court cited the correct standard when it stated that "the [Lanham] Act covers 'the use of trademarks which are likely to cause confusion, mistake, or deception *of any kind*, not merely of purchasers nor simply as to source of origin.'" [Citation.] But the Court did not then appear to apply that standard; instead it repeatedly discussed the lack of *customer* confusion. It said, for example, that "the plaintiff produced no evidence of actual customer confusion. ... [I]t argues that 'broker dealers' ... all have been misled." Similarly, it concluded that, as a matter of law, there was no general likelihood of confusion, "especially since the record is devoid of any inference of *customer* confusion." (emphasis added). And, rather

> than recognizing the special importance of identity and reputation in the financial industry, it discounted such concerns, saying that similar marks can coexist because "consumers take greater care than many others," and "'prospective purchasers are unlikely to perceive the marks before becoming familiar with the parties' businesses.'" That overly narrow interpretation of what constitutes confusion under the Lanham Act is contrary to our deeply rooted precedent…. We thus take this opportunity to reiterate that the Lanham Act protects against "the use of trademarks which are likely to cause confusion, mistake, or deception *of any kind*, not merely of purchasers nor simply as to source of origin." [Citation.] It certainly covers confusion created "'in the minds of persons in a position to influence [a] purchasing decision or persons whose confusion presents a significant risk to the sales, goodwill, *or* reputation of the trademark owner.'" [Citation.]

**Page 400. Add new Question 5:**

**5.** Don Henley is a singer-songwriter who first became famous in the early 1970s as the drummer and lead vocalist for the Eagles, a rock and roll band. One of the Eagles' early hits was a song titled, "Take It Easy." In addition to performing and recording with the Eagles, Henley has had a successful solo career. In 2000, Henley registered DON HENLEY as a service mark for entertainment services and a trademark for music sound recordings. Duluth Trading, a Wisconsin clothing retailer, has recently marketed a cotton Henley-style (button placket) shirt with the slogan, "DON A HENLEY and Take it easy." Henley has filed suit for infringement of his registered marks. Do you see a likelihood of confusion? *See Henley v. Duluth Holdings, Inc.*, No. CV 14-7827 (C.D. Cal. filed Oct. 8, 2014).

### 3. Different Varieties of Confusion

#### a. Initial Interest Confusion

**Page 408. Replace *Network Automation v. Advanced System Concepts*, *Rosetta Stone v. Google,* and the Questions that follow it (pp. 408-21) with the following material:**

**INITIAL INTEREST CONFUSION AND INTERNET ADVERTISING**

In the 1990s, the initial interest confusion theory became popular in trademark infringement suits over the appearance of competitors' trademarks in

Internet addresses, metatags, and keyword advertising. (We explore the distinct issues raised by trademarks in Internet domain names in Chapter 11, *infra.*) Trademark owners argued that the presence of a trademark anywhere on a competitor's website or as a keyword ad trigger might cause a consumer to click on a link and land on a page other than the page she was seeking. Early cases found initial interest confusion likely. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), for example, the Court of Appeals for the Ninth Circuit addressed the potential for confusion when someone other than the registrant for the trademark, MOVIEBUFF, used the mark in a website metatag:

> In the Internet context, in particular, entering a web site takes little effort - usually one click from a linked site or a search engine's list; thus, Web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership….
>
> ….
>
> Although entering "MovieBuff" into a search engine is likely to bring up a list including "westcoastvideo.com" if West Coast has included that term in its metatags, the resulting confusion is not as great as where West Coast uses the "moviebuff.com" domain name. First, when the user inputs "MovieBuff" into an Internet search engine, the list produced by the search engine is likely to include both West Coast's and Brookfield's web sites. Thus, in scanning such list, the Web user will often be able to find the particular web site he is seeking. Moreover, even if the Web user chooses the web site belonging to West Coast, he will see that the domain name of the web site he selected is "westcoastvideo.com." Since there is no confusion resulting from the domain address, and since West Coast's initial web page prominently displays its own name, it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site.
>
> Nevertheless, West Coast's use of "moviebuff.com" in metatags will still result in what is known as initial interest confusion. Web surfers looking for Brookfield's "MovieBuff" products who are taken by a search engine to "westcoastvideo.com" will find a database similar enough to "MovieBuff" such that a sizeable number of consumers who were originally looking for Brookfield's product will simply decide to utilize West Coast's offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using

> "moviebuff.com" or "MovieBuff" to divert people looking for "MovieBuff" to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.

As consumers, and judges, became more familiar with the Internet, though, courts began to take a more nuanced approach.

**Network Automation, Inc. v. Advanced Systems Concepts, Inc.,** 638 F.3d 1137 (9th Cir. 2011).

> Network Automation ("Network") and Advanced Systems Concepts ("Systems") are both in the business of selling job scheduling and management software, and both advertise on the Internet. Network sells its software under the mark Auto-Mate, while Systems' product is sold under the registered trademark ActiveBatch. Network decided to advertise its product by purchasing certain keywords, such as "ActiveBatch," which when keyed into various search engines, most prominently Google and Microsoft Bing, produce a results page showing "www.NetworkAutomation.com" as a sponsored link. Systems' objection to Network's use of its trademark to interest viewers in Network's website gave rise to this trademark infringement action.
>
> . . . .
>
> The district court granted [preliminary] injunctive relief on April 30, 2010. Noting that the parties did not dispute the validity or ownership of the ActiveBatch mark, the district court ruled that Systems was likely to succeed in satisfying the Lanham Act's "use in commerce" requirement by showing that Network "used" the mark when it purchased advertisements from search engines triggered by the term "ActiveBatch." Applying the eight-factor *Sleekcraft* test for source confusion, the district court emphasized three factors it viewed as significant for "cases involving the Internet": the similarity of the marks, relatedness of the goods or services, and simultaneous use of the Web as a marketing channel. The district court concluded that all three factors favored Systems: Network used the identical mark to sell a directly competing product, and both advertised on the Internet.
>
> . . . .
>
> The district court also analyzed whether Network infringed Systems' mark by creating initial interest confusion -- as opposed to source confusion -- which "occurs when the defendant uses the plaintiff's trademark in a manner calculated to capture initial

consumer attention, even though no actual sale is finally completed as a result of the confusion." . . . .Because the district court found that Network's advertisements did not clearly divulge their source, it concluded that consumers might be confused into unwittingly visiting Network's website, allowing the company to "impermissibly capitalize[ ] on [Systems'] goodwill."

Based on its analysis of the *Sleekcraft* factors and its finding of likely initial interest confusion, the district court concluded that Systems had a strong likelihood of success on the merits of its trademark infringement claim.. . . .

. . . .

III. DISCUSSION

. . . .

. . . . Network argues that its use of Systems' mark is legitimate "comparative, contextual advertising" which presents sophisticated consumers with clear choices. Systems characterizes Network's behavior differently, accusing it of misleading consumers by hijacking their attention with intentionally unclear advertisements. To resolve this dispute we must apply the *Sleekcraft* test in a flexible manner, keeping in mind that the eight factors it recited are not exhaustive, and that only some of them are relevant to determining whether confusion is likely in the case at hand.

....

B.

Here we consider whether the use of another's trademark as a search engine keyword to trigger one's own product advertisement violates the Lanham Act. We begin by examining the *Sleekcraft* factors that are most relevant to the determination whether the use is likely to cause initial interest confusion. While the district court analyzed each of the *Sleekcraft* factors, it identified the three most important factors as (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel, for any case addressing trademark infringement on the Internet. . . . .

....

Given the multifaceted nature of the Internet and the ever-expanding ways in which we all use the technology, however, it makes no sense to prioritize the same three factors for every type of potential online commercial activity. … The potential infringement in this context arises from the risk that while using Systems' mark to search for information about its product, a consumer might be confused by a results page that shows a competitor's advertisement

on the same screen, when that advertisement does not clearly identify the source or its product.

In determining the proper inquiry for this particular trademark infringement claim, we adhere to two long stated principles: the *Sleekcraft* factors (1) are non-exhaustive, and (2) should be applied flexibly, particularly in the context of Internet commerce. Finally, because the *sine qua non* of trademark infringement is consumer confusion, when we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion.

. . .

The nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context. A sophisticated consumer of business software exercising a high degree of care is more likely to understand the mechanics of Internet search engines and the nature of sponsored links, whereas an un-savvy consumer exercising less care is more likely to be confused. The district court determined that this factor weighed in Systems' favor because "there is generally a low degree of care exercised by Internet consumers." However, the degree of care analysis cannot begin and end at the marketing channel. We still must consider the nature and cost of the goods, and whether "the products being sold are marketed primarily to expert buyers." *Brookfield [Commc'ns, Inc. v. West Coast Entm't Corp*., 174 F.3d 1036 (9th Cir. 1999)] at 1060.

. . . .

We have recently acknowledged that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace. . . .

. . . .

Therefore the district court improperly concluded that this factor weighed in Systems' favor based on a conclusion reached by our court more than a decade ago in *Brookfield* . . . that Internet users on the whole exercise a low degree of care. While the statement may have been accurate then, we suspect that there are many contexts in which it no longer holds true.

. . . .

The appearance of the advertisements and their surrounding context on the user's screen are similarly important here. The district court correctly examined the text of Network's sponsored links, concluding that the advertisements did not clearly identify their source. However, the district court did not consider the surrounding context. . . . . Here, even if Network has not clearly

> identified itself in the text of its ads, Google and Bing have partitioned their search results pages so that the advertisements appear in separately labeled sections for "sponsored" links. The labeling and appearance of the advertisements as they appear on the results page includes more than the text of the advertisement, and must be considered as a whole.
>
> C.
>
> Given the nature of the alleged infringement here, the most relevant factors to the analysis of the likelihood of confusion are: (1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.
>
> The district court did not weigh the *Sleekcraft* factors flexibly to match the specific facts of this case. It relied on the Internet "troika," which is highly illuminating in the context of domain names, but which fails to discern whether there is a likelihood of confusion in a keywords case. Because the linchpin of trademark infringement is consumer confusion, the district court abused its discretion in issuing the injunction. . . .

**Rosetta Stone Ltd. v. Google, Inc.**, 676 F.3d 144 (4th Cir. 2012). This action arose out of Google's sale of ROSETTA STONE as an AdWord and its post-2009 policy of allowing advertisers who purchase AdWords corresponding to third party trademarks to include the third party trademark in the text of the advertisement under certain circumstances: (1) the sponsor is a reseller of a genuine trademarked product; (2) the sponsor makes or sells component parts for a trademarked product; (3) the sponsor offers compatible parts or goods for use with the trademarked product; or (4) the sponsor provides information about or reviews a trademarked product. Rosetta sued Google for trademark infringement, claiming that both the use of its mark as an Ad Word trigger and the appearance of its mark in ad texts posed a likelihood of confusion and misled Internet users into purchasing counterfeit Rosetta software. The district court granted summary judgment to Google, finding no genuine issue of fact regarding likelihood of confusion. The Fourth Circuit reserved the question whether Google had used Rosetta's mark or had used it in commerce. Holding the record contained evidence sufficient to create a question of fact concerning intent, actual confusion, and consumer sophistication to preclude summary judgment, the court vacated and remanded.

Regarding the factors to assess in a likelihood of confusion analysis, the Fourth Circuit observed that many are irrelevant to contexts in which the trademark is used not to "pass off" defendant's goods as the plaintiff's, but, instead, to identify

the plaintiff's goods or services. In assessing Google's intent, the court held that a reasonable trier of fact could find that Google intended to cause confusion when it revised its policy to permit the use of a trademark in the text of advertisements despite its knowledge that some searchers might be confused. The court also held that the district court had erred in concluding that the high price of Rosetta Stone products and the commitment of time necessary to make use of them supported an inference that purchasers of Rosetta Stone were sophisticated consumers. Given the deposition testimony of some purchasers that they had been misled by sponsored links and purchased counterfeit Rosetta Software, and the presence in the record on internal Google studies tending to show that even well-educated Internet consumers sometimes are confused by the nature of Google's sponsored links, the court held that it was error to grant summary judgment to Google on the issue of likelihood of confusion.

Shortly after the Court of Appeals issued its decision, Google and Rosetta Stone reached a settlement of the lawsuit.

## MULTI TIME MACHINE, INC. v. AMAZON.COM

804 F.3d 930 (9th Cir. 2015)

SILVERMAN, CIRCUIT JUDGE:

In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch — specifically the "MTM Special Ops" — marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types "mtm special ops" in the search box and presses "enter." Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon *does* carry, specifically identified by their brand names — Luminox, Chase-Durer, TAWATEC, and Modus.

MTM brought suit alleging that Amazon's response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon's search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

We affirm. "The core element of trademark infringement" is whether the defendant's conduct "is likely to confuse customers about the source of the products." [Citation.] Because Amazon's search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would

likely be confused as to the source of the products. Thus, summary judgment of MTM's trademark claims was proper.

*l. Factual and Procedural Background*

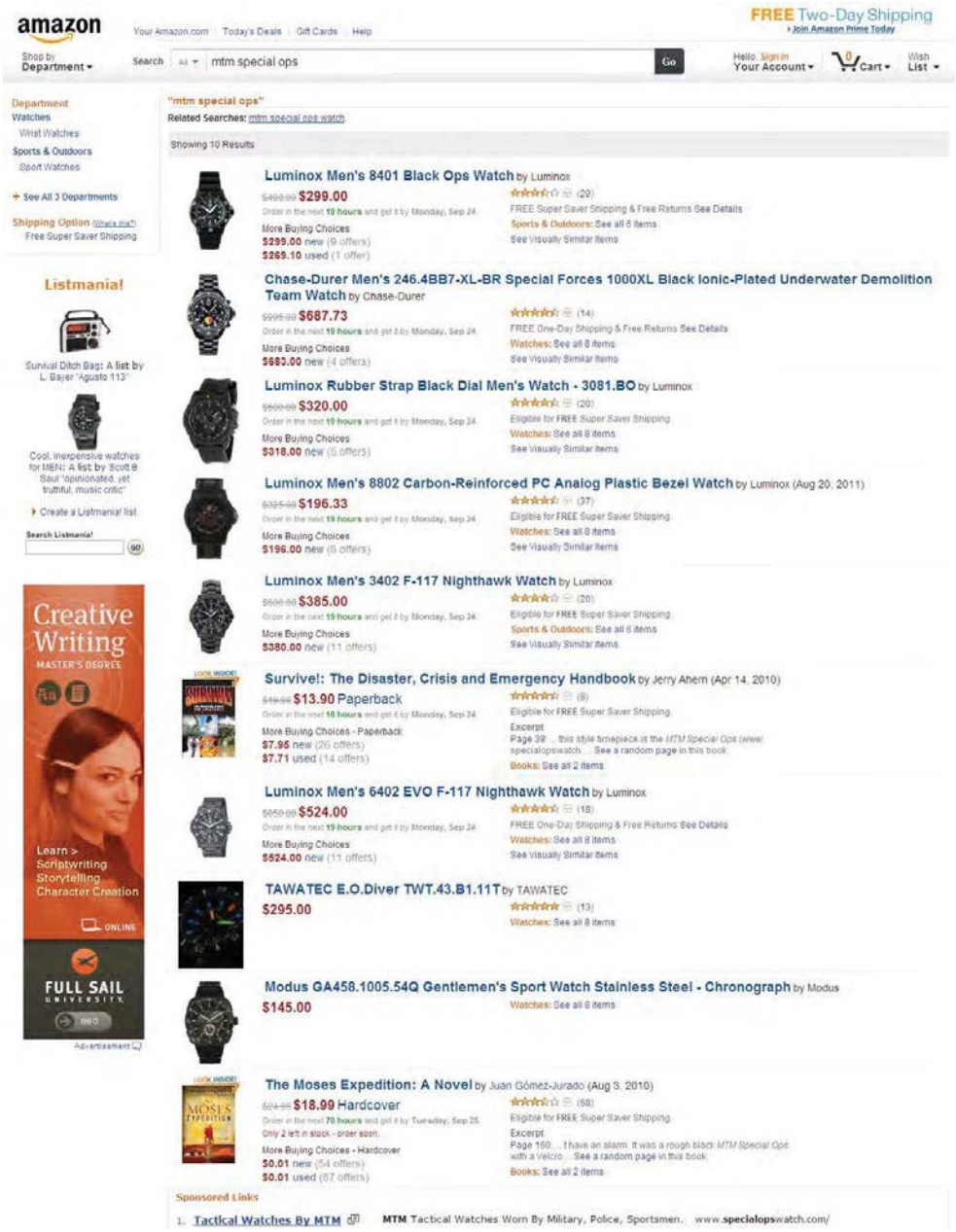
MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark "MTM Special Ops" for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM's permission to sell MTM's products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

Amazon is an online retailer that purports to offer "Earth's Biggest Selection of products." Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

Consumers who wish to shop for products on Amazon's website can utilize Amazon's search function. The search function enables consumers to navigate Amazon.com's large marketplace by providing consumers with relevant results in response to the consumer's query. In order to provide search results in which the consumer is most likely to be interested, Amazon's search function does not simply match the words in the user's query to words in a document, such as a product description in Amazon.com's catalog. Rather, Amazon's search function — like general purpose web search engines such as Google or Bing — employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user's query to text describing a product, Amazon's search function can provide consumers with relevant results that would otherwise be overlooked.

Consumers who go onto Amazon.com and search for the term "mtm special ops" are directed to a search results page. On the search results page, the search query used — here, "mtm special ops" — is displayed twice: in the search query box and directly below the search query box in what is termed a "breadcrumb." The breadcrumb displays the original query, "mtm special ops," in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a "Related Searches" field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: "mtm special ops watch." Directly below the "Related Searches" field is a gray bar containing the text "Showing 10 Results." Then, directly below the gray bar is

Amazon's product listings. The gray bar separates the product listings from the breadcrumb and the "Related Searches" field. The particular search results page at issue is displayed below:




MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon.

MTM filed a complaint against Amazon, alleging that Amazon's search results page infringes MTM's trademarks in violation of the Lanham Act. Amazon filed a motion for summary judgment, arguing that (1) it is not using MTM's mark in

commerce and (2) there is no likelihood of consumer confusion. In ruling on Amazon's motion for summary judgment, the district court declined to resolve the issue of whether Amazon is using MTM's mark in commerce, and, instead, addressed the issue of likelihood of confusion. In evaluating likelihood of confusion, the district court utilized the eight-factor test set forth in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Relying on our recent decision in *Network Automation, Inc. v. Advanced Systems Concepts*, 638 F.3d 1137 (9th Cir. 2011), the district court focused in particular on the following factors: (1) the strength of MTM's mark; (2) the evidence of actual confusion and the evidence of no confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the appearance of the product listings and the surrounding context on the screen displaying the results page. Upon reviewing the factors, the district court concluded that the relevant *Sleekcraft* factors established "that there is no likelihood of confusion in Amazon's use of MTM's trademarks in its search engine or display of search results." Therefore, the district court granted Amazon's motion for summary judgment.

. . . .

*III. Discussion*

. . . .

Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer's inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. To whatever extent the *Sleekcraft* factors apply in a case such as this — a merchant responding to a request for a particular brand it does not sell by offering other brands clearly identified as such — the undisputed evidence shows that confusion on the part of the inquiring buyer is not at all likely. Not only are the other brands clearly labeled and accompanied by photographs, there is no evidence of actual confusion by anyone.

To analyze likelihood of confusion, we utilize the eight factor test set forth in *Sleekcraft*. However, "[w]e have long cautioned that applying the *Sleekcraft* test is not like counting beans." [Citations.] "Some factors are much more important than others, and the relative importance of each individual factor will be case-specific" [Citation.] Moreover, the *Sleekcraft* factors are not exhaustive and other variables may come into play depending on the particular facts presented. *Network Automation*, 638 F.3d at 1145-46. This is particularly true in the Internet context. [Citation]. Indeed, in evaluating claims of trademark infringement in cases involving Internet search engines, we have found particularly important an additional factor that is outside of the eight-factor *Sleekcraft* test: "the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page." *Network Automation*, 638 F.3d at 1154.

In the present case, the eight-factor *Sleekcraft* test is not particularly apt. This is not surprising as the *Sleekcraft* test was developed for a different problem — i.e., for analyzing whether two competing brands' *marks* are sufficiently similar to cause consumer confusion. [Citation.] Although the present case involves *brands* that compete with MTM, such as Luminox, Chase-Durer, TAWATEC, and Modus, MTM does not contend that the *marks* for these competing brands are similar to its trademarks. Rather, MTM argues that the design of Amazon's search results page creates a likelihood of initial interest confusion because when a customer searches for MTM Special Ops watches on Amazon.com, the search results page displays the search term used — here, "mtm special ops" — followed by a display of numerous watches manufactured by MTM's competitors and offered for sale by Amazon, without explicitly informing the customer that Amazon does not carry MTM watches.

Thus, the present case focuses on a different type of confusion than was at issue in *Sleekcraft*. Here, the confusion is not caused by the design of the competitor's mark, but by the design of the web page that is displaying the competing mark and offering the competing products for sale. *Sleekcraft* aside, the ultimate test for determining likelihood of confusion is whether a "reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the goods. [Citation.] Our case can be resolved simply by a evaluation of the web page at issue and the relevant consumer. [Citation.] . . . .In other words, the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?

Turning to the first question, we have explained that "[t]he nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context." *Network Automation*, 638 F.3d at 1152. "In evaluating this factor, we consider 'the typical buyer exercising ordinary caution.'" [Citation.] "Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items." [Citation.] Moreover, "the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." *Network Automation*, 638 F.3d at 1152.

The goods in the present case are expensive. It is undisputed that the watches at issue sell for several hundred dollars. Therefore, the relevant consumer in the present case "is a reasonably prudent consumer accustomed to shopping online." [Citation.]

Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon's web page is the most important factor in this case. This is because we have previously noted that clear labeling can

eliminate the likelihood of initial interest confusion in cases involving Internet search terms.. …

Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon's website and searches for a product using MTM's trademark "mtm special ops," the resulting page displays several products, all of which are clearly labeled with the product's name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer's name is listed twice. For example, the first result is "*Luminox Men's 8401 Black Ops Watch* by Luminox." The second result is "*Chase-Durer Men's 246.4BB7-XL-BR Special Forces 1000XL Black Ionic-Plated Underwater Demolition Team Watch* by Chase-Durer." Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

MTM argues that initial interest confusion might occur because Amazon lists the search term used — here the trademarked phrase "mtm special ops" — three times at the top of the search page. MTM argues that because Amazon lists the search term "mtm special ops" at the top of the page, a consumer might conclude that the products displayed are types of MTM watches. But, merely looking at Amazon's search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word "MTM" or the phrase "Special Ops," let alone the specific phrase "MTM Special Ops." Further, some of the products listed are not even watches. The sixth result is a book entitled "*Survive!: The Disaster, Crisis and Emergency Handbook* by Jerry Ahem." The tenth result is a book entitled "*The Moses Expedition: A Novel* by Juan Gómez-Jurado." No reasonably prudent consumer, accustomed to shopping online or not, would assume that a book entitled "The Moses Expedition" is a type of MTM watch or is in any way affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon's search results page and conclude that the products offered are MTM watches. . . .

MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous . . . .

In light of the clear labeling Amazon uses on its search results page, no reasonable trier of fact could conclude that Amazon's search results page would likely confuse a reasonably prudent consumer accustomed to shopping online as to

the source of the goods being offered. . . .

. . . .

The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate. [Citation.] Indeed, in the similar context of evaluating claims of consumer deception when dealing with false advertising claims, we have at least twice concluded — after a review of the label or advertisement at issue — that there was no likelihood of consumer deception as a matter of law because no reasonable consumer could have been deceived by the label/advertisement at issue in the manner alleged by the plaintiff. [Citation.].

. . . .

*IV. Conclusion*

In light of Amazon's clear labeling of the products it carries, by brand name and model, accompanied by a photograph of the item, no rational trier of fact could find that a reasonably prudent consumer accustomed to shopping online would likely be confused by the Amazon search results. Accordingly, we affirm the district court's grant of summary judgment in favor of Amazon.

BEA, CIRCUIT JUDGE, DISSENTING:

Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch might well initially think that the watches Amazon offers for sale when he searches "MTM Special Ops" are affiliated with MTM, I must dissent.

If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com. At Overstock's site, if she typed "MTM special ops," the site would respond "Sorry, your search: 'mtm special ops' returned no results." Similarly, at Buy.com, she would be informed "0 results found. Sorry. Your search for *mtm special ops* did not return an exact match. Please try your search again."

Things are a little different over at "Earth's most customer-centric company," as Amazon styles itself. There, if she were to enter "MTM Special Ops" as her search request on the Amazon website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) "MTM Specials Ops" again—in quotation

marks—immediately below the search field and (3) yet again in the phrase "Related Searches: *MTM special ops watch,"* (emphasis in original) all before stating "Showing 10 Results." What the website's response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of "MTM Special Ops" noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM's competitors. The shopper will see that Luminox and Chase-Durer watches are offered for sale, in response to her MTM query.

MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon's use of MTM's trademarked name is likely to confuse buyers, who may ultimately buy a competitor's goods.

MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make.

By usurping the jury function, the majority today makes new trademark law. When we allow a jury to determine whether there is a likelihood of confusion, as I would, we do not *make* trademark law, because we announce no new principle by which to adjudicate trademark disputes. Today's brief majority opinion accomplishes a great deal: the majority announces a new rule of law, resolves whether "clear labeling" favors Amazon using its own judgment, and, sub silentio, overrules this court's "initial interest confusion" doctrine.

Capturing initial consumer attention has been recognized by our court to be a grounds for finding of infringement of the Lanham Act since 1997. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997) (identifying "initial consumer attention" as a basis for infringement). In 1999, citing *Dr. Seuss*, we expressly adopted the initial interest confusion doctrine in the internet context, and never repudiated it. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999). It may not apply where the competing goods or services are "clearly labeled" such that they cause only mere diversion, but whether such goods or services are clearly labeled so as to prevent a prudent internet shopper's initial confusion depends on the overall function and presentation of the web page. The issue is whether a prudent internet shopper who made the search request and saw the Amazon result—top to bottom—would more likely than not be affected by that "initial interest confusion." That is, an impression—when first shown the results of the requested MTM Special Ops search—that Amazon carries watches that have some connection to MTM, and that

those watches are sold under the name Luminox or Chase-Durer. Whether there is likelihood of such initial interest confusion, I submit, is a jury question. Intimations in our case law that initial interest confusion is bad doctrine notwithstanding, it is the law of our circuit, and, I submit, the most fair reading of the Lanham Act.

. . . .

On this record, a jury could infer that users who are confused by the search results are confused as to why MTM products are not listed. There is a question of fact whether users who are confused by the search result will wonder whether a competitor has acquired MTM or is otherwise affiliated with or approved by MTM. *See Brookfield Communications*, 174 F.3d at 1057. This is especially true as to a brand like MTM, as many luxury brands with distinct marks are produced by manufacturers of lower-priced, better known brands—just as Honda manufactures Acura automobiles but sells Acura automobiles under a distinct mark that is marketed to wealthier purchasers, and Timex manufactures watches for luxury fashion houses Versace and Salvatore Ferragamo. Like MTM, Luminox manufactures luxury watches, and a customer might think that MTM and Luminox are manufactured by the same parent company. The possibility of initial interest confusion here is likely much higher than if, for instance, a customer using an online grocery website typed "Coke" and only Pepsi products were returned as results. No shopper would think that Pepsi was simply a higher end version of Coke, or that Pepsi had acquired Coke's secret recipe and started selling it under the Pepsi mark.

In any event, even as to expensive goods—for instance, pianos sold under a mark very similar to the famous Steinway and Sons brand's mark—the issue is not that a buyer might buy a piano manufactured by someone other than Steinway thinking that it was a Steinway. The issue is that the defendant's use of the mark would cause initial interest confusion by attracting potential customers' attention to buy the infringing goods because of the trademark holder's hardwon reputation. [Citation.]

A jury could infer that the labeling of the search results, and Amazon's failure to notify customers that it does not have results that match MTM's mark, give rise to initial interest confusion. If so, a jury could find that Amazon customers searching for MTM products are subject to more than mere diversion, since MTM is not required to show that customers are likely to be confused at the point of sale. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004).

. . . .

Through its cursory review of the *Sleekcraft* factors and conclusory statements about clear labeling, the majority purports to apply this circuit's trademark law, and ignores the doctrine of initial interest confusion. In so doing, the

majority today writes new trademark law and blurs the line between innovation and infringement.

More troubling, the majority ignores the role of the jury. Summary judgment law is an aid to judicial economy, but it can be so only to the extent that it comports with the Seventh Amendment. Were we to reverse and remand, MTM might well lose. The likelihood of that outcome is irrelevant to the question whether there is a genuine issue of fact. I respectfully dissent.

## QUESTIONS

**1.** The majority concludes that Amazon's search results are unambiguous "to anyone who can read English." The dissent argues that the potential for initial interest confusion is one that requires a jury to assess. What are the advantages and disadvantages of having a jury make this determination?

**2.** Bricks and mortar marketplaces are rife with examples of packaging and advertising that may cause fleeting initial interest confusion. When should a trademark owner be able to recover because initial interest confusion enables the seller of competing products to capture the attention of a potential customer, and when should it be sufficient for a defendant to show that any confusion is likely to be dispelled before the customer purchases the product? Can you articulate a principle that would aid courts and juries in determining whether and when initial interest confusion is significant enough and persists long enough to be actionable?

**3.** If initial interest confusion is sometimes actionable in connection with bricks-and-mortar marketing, should courts treat allegations of initial interest confusion arising from online marketing by the same or different rules? *Network Automation* involved the purchase of a competitor's mark as an advertising keyword. *MTM* involved the display of third-party product listings in response to a customer's input of a trademark as a search term. Do you see any difference between the two uses that might be relevant to the likelihood of confusion?

**4.** In *Trademarks as Keywords: Much Ado About Something?*, 26 Harv. J. L. & Tech 481 (2013), Professors David Franklyn and David Hyman presented the results of their two part empirical study assessing whether consumers are confused by the use of trademarks as keyword for search engine ads: "We find little evidence of consumer confusion regarding the source of goods, but only a small minority of consumers correctly and consistently distinguished paid ads from unpaid search results. We also find that the aggregate risk of consumer confusion is low, because most of the ads triggered by the use of trademarks as keywords are for authorized sellers or the trademark owners themselves. However, a sizeable percentage of survey respondents thought it was unfair and inappropriate for one company to

purchase another company's trademark as a keyword, independent of confusion as to source." Should Frankyn's and Hyman's findings affect the result in initial interest confusion litigation?

**5.** CollegeSource and AcademyOne both provide online information sources for college students seeking to transfer to other colleges and educational institutions interested in evaluating the educational accomplishments of prospective transfer students. CollegeSource owns a service mark registration in COLLEGESOURCE and common law service mark rights in CAREER GUIDANCE FOUNDATION; it markets its services through print materials and attendance at trade shows and conferences. AcademyOne markets its services through the Internet. In particular, AcademyOne buys online banner ads from search engines using the words or phrases "college," "college source," "career guidance," and "career guidance foundation" as ad triggers. The ads themselves contain neither CollegeSource's marks nor AcademyOne's. They are headed "College Transfer Help" and contain a link to AcademyOne's website at www.collegetransfer.net. Do you see a likelihood of confusion? What more would you need to know? *See CollegeSource, Inc., v. AcademyOne, Inc.,* 2012 US Dist. LEXIS 153197 (E.D. Pa. 2012), *aff'd.,* 597 Fed.Appx. 116 (3d Cir. 2015).

### b. Post-Sale Confusion

**Page 430. Add new Question 3.**

**3.** Adidas makes athletic footwear, apparel, and sporting equipment. The company uses many variations of a well-known three-stripe design as trademarks on its shoes and other merchandise. It enforces those marks aggressively. Recently, it filed suit against Skechers, claiming that Skechers sneakers infringed Adidas' three-stripe mark.


adidas Ultra Boost


Skechers Relaxed Fit Cross Court TR


adidas Stan Smith


Skechers Onix

Skechers argues that all of its sneakers are prominently marked with the Skechers logo and bear tags with the Skechers brand. Adidas acknowledges that Skechers'

logos, tags, and marking may diminish point-of-sale confusion, but claims that they won't prevent post-sale confusion. How should the court rule? *See Adidas America, Inc. v. Skechers U.S.A., Inc.*, 2016 U.S. Dist LEXIS 17371 (D. Ore. 2016).

### c. Reverse Confusion

**Page 435. Insert the following case before the Questions**.

**Fortres Grand Corp. v. Warner Brothers Entertainment**, 763 F.3d 696 (7th Cir. 2014). Warner Brothers' 2012 Batman film, *The Dark Knight Rises*, included a handful of references to a fictional software program named "Clean Slate," reputed to be capable of erasing a criminal's history from every software database in the world. Either Warner Brothers or Batman fans also created two websites that purported to be the sites of the fictional software company that marketed the fictional "Clean Slate" software, complete with a fictitious patent for the fictitious program. Fortres Grand, which has marketed a software program named CLEAN SLATE since 2001 and has registered the mark on the principal register, sued Warner Brothers for trademark infringement, alleging reverse confusion. The district court dismissed the case. The Court of Appeals for the 7th Circuit affirmed:

> …Fortres Grand's claims depend on plausibly alleging that Warner Bros.' use of the words "clean slate" is "likely to cause confusion." ... But general confusion "in the air" is not actionable. Rather, only confusion about "origin, sponsorship, or approval of ... goods" supports a trademark claim. [Citations.]
>
> ….
>
> …Fortres Grand argues that it has stated a claim via "reverse confusion"… In reverse confusion, the *senior user's* products are mistaken as originating from (or being affiliated with or sponsored by) the *junior user*. This situation often occurs when the junior user is a well-known brand which can quickly swamp the marketplace and overwhelm a small senior user. [Citations.] The harm from this kind of confusion is that "the senior user loses the value of the trademark--its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets." [Citation.] To state a claim for infringement based on reverse confusion, Fortres Grand must plausibly allege that Warner Bros.' use of the words "clean slate" in its movie to describe an elusive hacking program that can eliminate information from any and every database on earth has caused a likelihood that consumers will be confused into thinking that Fortres Grand's Clean Slate software "emanates from, is connected to, or is sponsored by [Warner Bros.]."[Citations.]

> In considering the plausibility of such an allegation of confusion we look to the applicable test for likelihood of confusion. In this circuit, we employ a seven-factor test….

The Court first discussed the similarity of the products:

> The problem here is that Fortres Grand wants to allege confusion regarding the source of a utilitarian desktop management software based solely on the use of a mark in a movie and two advertising websites. Warner Bros…does not sell any movie merchandise similar to Fortres Grand's software which also bears the allegedly infringing mark. Fortres Grand mentions that Warner Bros. sells video games. Desktop management software and video game software may be similar enough to make confusion plausible, but Fortres Grand does not allege that the *video games* bear the "clean slate" mark. Nor does Fortres Grand allege that desktop management software is a commonly merchandised movie tie-in (as a video game might be). Accordingly, the only products available to compare--Fortres Grand's software and Warner Bros.' movie--are quite dissimilar, even considering common merchandising practice. Fortres Grand has alleged no facts that would make it plausible that a super-hero movie and desktop management software are "goods related in the minds of consumers in the sense that a single producer is likely to put out both goods."
>
> Fortres Grand emphasizes that we have clearly stated that courts should not rely on the weakness of a single factor to dispose of a trademark infringement claim. [Citation.] But its allegation of reverse confusion is just as implausible in light of the other factors. Both the movie and Fortres Grand's software are available on the internet, but the movie was shown first and primarily in theaters and Fortres Grand's software is only available at its website, not at other places on the internet. And anyone who arrives at Fortres Grand's website is very unlikely to imagine it is sponsored by Warner Bros. (assuming, safely, that Fortres Grand is not using Catwoman as a spokesperson for its program's efficacy). *See* FORTRESGRAND.COM, *Clean Slate 7*, http://www.fortresgrand.com/products/cls/cls.htm. And the movie websites, while on the internet, sell no products and are clearly tied to the fictional universe of Batman. Further, Warner Bros.' use of the mark is not a traditional use in the marketplace, but in the dialogue of its movie and in extensions of its fictional universe, so the "the area and manner of concurrent use" also makes confusion unlikely. Fortres Grand also asserts that consumers of "security software," similar to what it sells, are discerning and "skeptical," which is indicative of a "degree of care likely to be exercised by consumers" making confusion unlikely. Additionally, the mark "clean slate" is just one variation of a phrase that traces its origins at least as far back as Aristotle and is

often used to describe fresh starts or beginnings. While the use of the term may be suggestive for security software, its use descriptively (and suggestively) is quite broad, including in reference to giving convicted criminals fresh starts, to redesigning the internet, or, indeed, to a movie about an investigator with amnesia. Accordingly, Warner Bros.' descriptive use of the words "clean slate" in the movie's dialogue to describe a program that cleans a criminal's slate is unlikely to cause confusion. [Citation]

Finally, Fortres Grand speculates that there must have been actual confusion because of "internet chatter" and "web pages, tweets, and blog posts in which potential consumers question whether the CLEAN SLATE program, as it exists in *The Dark Knight Rises*, is real and could potentially work." But this is not an allegation of actual confusion. This is an assertion that consumers are speculating that there really could be a hacking tool that allows a user to erase information about herself from every database on earth. *Id*. At best Fortres Grand's argument is that consumers are mistakenly thinking that its software may be such a hacking tool (or an attempt at such a hacking tool), and not buying it. But this is not reverse confusion about origin. Whoever these unusually gullible hypothetical consumers are, Fortres Grand has not and could not plausibly allege that consumers are confused into thinking Fortres Grand is selling such a diabolical hacking tool *licensed by Warner Bros*. Fortres Grand's real complaint is that Warner Bros.' use of the words "clean slate" has tarnished Fortres Grand's "clean slate" mark by associating it with illicit software. But this type of harm may only be remedied with a dilution claim. *See* 15 U.S.C. § 1125(c). And it would not be appropriate to use a contorted and broadened combination of the "reverse confusion" and "related products" doctrines to extend dilution protection to non-famous marks which are explicitly excluded from such protection by statute. *Id*. ("the owner of a *famous* mark ... shall be entitled to an injunction against another person who ... commences use of a mark ... that is likely to cause ... dilution by tarnishment of the *famous* mark" (emphasis added)).

In fact, the only factor to which Fortres Grand's allegations lend any strength is the similarity of the marks--both marks are merely "clean slate" or "the clean slate." But juxtaposed against the weakness of all the other factors, this similarity is not enough. Trademark law protects the source-denoting function of words used in conjunction with goods and services in the marketplace, not the words themselves. [Citation.] Assuming all Fortres Grand's other allegations are true, its reverse confusion allegation--that consumers may mistakenly think Warner Bros. is the source of Fortres Grand's software--is still "too implausible to support costly

> litigation."[Citation.] Accordingly, we need not--and do not--reach Warner Bros.' argument that its descriptive use of the words "clean slate" in the dialogue of its movie is shielded by the First Amendment.

**Page 436. Replace Question 3 with a new Question 3 and add new Questions 4 and 5:**

**3.** In 1999, Byron Preiss founded a new book imprint, which he named ibooks. Preiss announced that ibooks would publish backlist novels simultaneously in paper and digital editions. Simon and Schuster agreed to distribute the print versions to bookstores and ibooks made the digital versions available for paid download at its website, www.ibooksinc.com. ibooks released its first books in 2000. Its catalogue included classic science fiction by Isaac Asimov, Alfred Bester and Arthur C. Clarke. All books included the ibooks logo, which featured a lightbulb containing a lowercase "i" and the word "ibooks:"


Between 2000 and 2005, ibooks published science fiction, mystery, history and science books. In 2005, Preiss was killed in a traffic accident. After Preiss's death, the company foundered, and it filed for bankruptcy in 2006. Independent publisher J Boylston & Company purchased the assets of ibooks, Inc., and continued to publish books under the ibooks imprint. Sales have been modest; in some years the imprint lost money. In 2010, Apple Computer Company adopted the mark iBooks for its ereader software and its ebookstore. J Boylston & Company filed suit against Apple, claiming reverse confusion. How should the court rule? *See J Colby & Co. v. Apple, Inc.*, 586 Fed. Appx. 8 (2d Cir. 2014).

**4.** Uber Promotions is a marketing and event-planning agency in Gainesville, Florida, which has been operating since 2006. Its services include party planning, party transportation rental, printing and photography services and private venue rental. Uber Technologies is a transportation network company that allows customers to summon private drivers using a smartphone app. Uber Technologies launched its service and adopted the UBER service mark in 2010. Uber Technologies has expanded rapidly, offering services in many cities across the world, including Gainesville. It has recently branched out to offer delivery services, luxury car transportation, and carpool coordination. It has also introduced targeted promotions keyed to holidays, special events, and partnerships with other businesses. Uber Promotions has filed suit against Uber Technologies, alleging a likelihood of reverse confusion. Which of the factors in the multi-factor likelihood of confusion test seem most important to resolving the case? How should the court rule? *See Uber Promotions, Inc. v. Uber Technologies, Inc.*, 2016 US Dist LEXIS 18572

(N.D. Fla. 2016).

**5.** Since 1997, Hugunin has manufactured and sold LAND O' LAKES brand fishing tackle to retail stores. In 2000, he registered LAND O' LAKES as a trademark for fishing tackle. The Land O' Lakes agricultural cooperative sells dairy products under the LAND O' LAKES trademark, which it adopted in the 1920s and registered in 1930. Recently, the dairy cooperative became the official sponsor of a sport-fishing tournament and began advertising its dairy products in fishing magazines. Hugunin sued the dairy cooperative for trademark infringement, arguing that his business is the senior user in the fishing industry, and that the dairy cooperative's advertisements and event sponsorship creates a likelihood of reverse confusion. How should the court rule? *See Hugunin v. Land O' Lakes, Inc.*, 815 F.3d 1064 (7th Cir. 2016).

## C. SECONDARY LIABILITY FOR TRADEMARK INFRINGEMENT

**Page 450. Replace *Georgia Pacific v. Von Drehle* with the following case:**

**Life Alert Emergency Response, Inc. v. Lifewatch, Inc**., 601 Fed Appx. 469 (9th Cir. 2015). Life Alert markets medical alert devices and monitoring services for the elderly. In 1989, Life Alert began running memorable television commercials and magazine ads for its service featuring an older woman on the floor saying, "I've fallen and I can't get up." In 2007, Life Alert registered I'VE FALLEN AND I CAN'T GET UP! as a service mark for emergency medical response services. In 2014, it registered HELP, I'VE FALLEN AND I CAN'T GET UP! as a trademark for security and electronic monitoring systems.

LifeWatch markets competing devices and monitoring services, using telemarketers to offer its products directly to potential customers over the telephone. In 2008, Life Alert discovered that some telemarketers for LifeWatch had used Life Alert's registered slogans in marketing LifeWatch's service. It sued LifeWatch for direct, contributory and vicarious trademark infringement. The district court entered a preliminary injunction enjoining LifeWatch from using Life Alert's trademarks and from doing business with any sales agent whom LifeWatch knows or should know was using those marks to sell LifeWatch's services. LifeWatch appealed, arguing that it lacked the ability to monitor and control the telemarketers who solicited customers for its products, and should not be held responsible for their infringing actions. The Court of Appeals for the 9th Circuit disagreed:

> The district court also correctly concluded that Life Alert is likely to succeed on the merits of its claim for trademark infringement

under the theory of contributory infringement. A plaintiff can establish contributory infringement in one of two ways. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 853-54 (1982). Life Alert can do both.

The first way is to show that the defendant "'intentionally induced' the primary infringer to infringe." *Perfect 10, Inc. v. Visa Int'l Serv., Ass'n*, 494 F.3d 788, 807 (9th Cir. 2007) (quoting *Inwood*, 456 U.S. at 855). A reasonable inference supports the conclusion that LifeWatch intentionally induced infringement by approving scripts for its telemarketers (the primary infringers) that contained Life Alert's trademarked slogans. First, directly under the telemarketing services agreements and, at the very least, indirectly under the purchase agreements, LifeWatch engaged telemarketers to solicit customers on its behalf. Second, formally under the telemarketing services agreements and perhaps functionally under the purchase agreements, telemarketers are authorized to read only scripts approved by LifeWatch. Third, at least one telemarketer, Worldwide Info Services, used the "I've Fallen" trademark, and contacted customers who then received LifeWatch goods.

The evidence also shows that LifeWatch "continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied." *Perfect 10, Inc., 494 F.3d at 807*. This is the second way to establish contributory infringement. Life Alert is likely to succeed under either the product or service version of this test.

On the product version, LifeWatch has continued to engage telemarketers and sellers to cultivate customers for its products even though it knows, or at least has reason to know, that they are using Life Alert's trademarks. *See Inwood, 456 U.S. at 853-55*. Worldwide used an infringing script during the era in which it could read only scripts approved by LifeWatch. And LifeWatch listens to the sales calls its telemarketers are required to retain and make available for LifeWatch's review.

On the service version, Life Alert can show that LifeWatch controlled and monitored the instrument (the telemarketing calls) the telemarketers and sellers used to infringe Life Alert's trademark. *See Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999). For instance, there is evidence that LifeWatch had the power and practice of approving scripts when it engaged telemarketers pursuant to the old telemarketing services agreements. Pursuant to its new purchase agreements, LifeWatch continues to provide sellers "guidelines" about its products. LifeWatch also reviews sales calls, and advises sales agents to change their message when it hears something it does not like. Finally, LifeWatch could stop

the infringement if it wanted to do so. *See Perfect 10*, 494 F.3d at 807. LifeWatch could exercise its right under the telemarketing services and purchase agreements to terminate its relationship with telemarketers and sellers that fail to comply with trademark law. Without these contracts, telemarketers and sellers would have no reason to make infringing calls.

The district court also correctly found that Life Alert is likely to succeed on the merits of its trademark infringement claim under the theory of vicarious liability. The same evidence of LifeWatch's control over telemarketers that supports the district court's finding on contributory infringement supports the court's finding on vicarious liability. *See id*. ("Vicarious liability for trademark infringement requires 'a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.'")….

# Chapter 7

# SECTION 43(A)(1)(A) OF THE LANHAM ACT

## A. UNREGISTERED MARKS

### 1. Application to Traditional Trademark and Trade Dress Cases

**Page 464. Delete Question 2 and Replace it with Question 2 below:**

**2.** In the *DC Comics* case, the court found plaintiff had developed common law rights in *The Daily Planet* through its general licensing of the Superman fictional characters (although the term was not specifically mentioned in any license) and then found a likelihood of confusion with defendant's underground publication. In the Batman movie *The Dark Knight Rises*, the character of Catwoman used a program called "the Clean Slate" to hack into computers to erase criminal history material. Fortres sells a CLEAN SLATE desktop management program and alleged that sales fell after the movie's release. It asserted a claim of reverse confusion, which was rejected by the court. Would the result have been different if Batman's licensed products, such as video games, used "the Clean Slate" term? *See Fortres Grand Corp. v. Warner Bros. Entertainment, Inc.*, 763 F.3d 696 (7th Cir. 2014), *supra* Chapter 6[B] this Supplement.

**Page 474. Add the following sentences before the citation in Question 3:**

Recall the Supreme Court's decision in *B&B Hardware, supra* Chapter 4[C] this Supplement, that Board decisions on likely confusion can have a preclusive effect in subsequent infringement actions. Should the Board's finding of lack of distinctiveness be preclusive?

**Page 487. Add the following at the end of Question 4:**

For many decades, Pepperidge Farm has sold MILANO oval-shaped sandwich cookies with chocolate in the middle, packaged in a gable-top bag inside of which cookies are placed in folded paper containers. Trader Joe's grocery store chain, which primarily sells its own brand of goods and does not sell MILANO cookies, introduced a sandwich cookie with chocolate in the middle in a similar package

type. Though Trader Joe's cookies are placed in a plastic tray inside the package, the outside package displays the cookies in a "fluted paper tray."



PEPPERIDGE FARM

Pepperidge Farm sues. As neither party wants to spend the time and money for a trial, what sort of settlement might protect both parties' interests?

### 2. Marketing Concepts and Techniques

**Page 496. Renumber Question as 1 and add Question 2 below.**

**2.** *Milstein* found Paper House's artistic style to be too abstract to constitute protectable trade dress. The well-known artist Britto filed a complaint alleging, *inter alia*, trade dress infringement against two graphic artists and Apple, Inc., which used an image created by the artists in its "Start Something New" campaign. *Britto Central, Inc. v. Redman*, 1:15 CV 21320 (S.D. Fl. April 6, 2015). The complaint describes the combination of elements making up the Britto trade dress as:

> vibrant color combinations, often dominated by bright yellow; compositions constructed by the juxtaposition of randomly shaped swaths of recurring distinctive patterns (including polka dots and stripes) to form the subject matter of the image, with each compositional element all outlined in bold black strokes; and uplifting, bright and happy visual themes.

The complaint alleges that Britto has licensed his trade dress to numerous companies and provides examples of Britto's works that embody the claimed features, including:

The graphic created by defendants for Apple is displayed below:

Has Britto alleged a protectable trade dress? If so, does the Apple graphic infringe?

**Page 510. Add Question 4 and new subsection 3 below:**

**4.** *Best Cellars v. Wine Made Simple* requires trade dress to be a non-functional source identifier rather than consisting of generalized concepts and ideas. Fair Wind Sailing school sued a rival school started by former employees and alleged defendants copied Fair Wind's trade dress, which it described as including the following elements: only using 45-foot catamarans, following particular itineraries in teaching and using a unique teaching curriculum and procedures for student feedback. No details of the curriculum or feedback mechanism were alleged. Do such allegations satisfy Fair Wind's obligation to articulate a protectable trade dress rather than generalized or unprotectable concepts? *See Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303 (3rd Cir. 2014).

### 3. Use in Commerce

**BELMORA LLC v. BAYER CONSUMER CARE AG**
819 F.3d 697 (4th Cir. 2016)

AGEE, CIRCUIT JUDGE.

In this unfair competition case, we consider whether the Lanham Act permits the owner of a foreign trademark . . . to pursue false association, false advertising, and trademark cancellation claims against the owner of the same mark in the United States. Bayer Consumer Care AG ("BCC") owns the trademark "FLANAX" in Mexico and has sold naproxen sodium pain relievers under that mark in Mexico (and other parts of Latin America) since the 1970s. Belmora LLC owns the FLANAX trademark in the United States and has used it here since 2004 in the sale of its naproxen sodium pain relievers. BCC and its U.S. sister company Bayer HealthCare LLC ("BHC," and collectively with BCC, "Bayer") contend that Belmora used the FLANAX mark to deliberately deceive Mexican-American consumers into thinking they were purchasing BCC's product.

BCC successfully petitioned the U.S. Trademark Trial and Appeal Board ("TTAB") to cancel Belmora's registration for the FLANAX mark based on deceptive use. Belmora appealed … to the district court. In the meantime, BCC filed a separate complaint for false association against Belmora under § 43 of the Lanham Act, 15 U.S.C. § 1125, and in conjunction with BHC, a claim for false advertising. After the two cases were consolidated, the district court reversed the TTAB's cancellation order and dismissed the false association and false advertising claims.

Bayer appeals those decisions. For the reasons outlined below, we vacate the judgment of the district court and remand this case for further proceedings consistent with this opinion.

. . .

… FLANAX sales by BCC [in Mexico] have totaled hundreds of millions of dollars, with a portion of the sales occurring in Mexican cities near the United States border. BCC's FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican-Americans and other Hispanics in the United States. … BCC's sister company, BHC, sells naproxen sodium pain relievers under the brand ALEVE in the United States market.

Belmora LLC began selling naproxen sodium tablets in the United States as FLANAX in 2004. The following year, Belmora registered the FLANAX mark in the United States. Belmora's early FLANAX packaging . . . closely mimicked BCC's Mexican FLANAX packaging . . . , displaying a similar color scheme, font size, and typeface.

Belmora later modified its packaging . . . , but the color scheme, font size, and

typeface remain similar to that of BCC's FLANAX packaging.

In addition . . ., Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by BCC in Mexico. For example, Belmora circulated a brochure to prospective distributors that stated,

> For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized topselling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold. Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer.

Belmora also employed telemarketers and provided them with a script [that] stated that Belmora was "the direct producer[] of FLANAX in the US" and that "FLANAX is a very well known medical product in the Latino American market, for FLANAX is sold successfully in Mexico." Belmora's "sell sheet," used to solicit orders from retailers, likewise claimed that "Flanax products have been used [for] many, many years in Mexico" and are "now being produced in the United States by Belmora LLC."

Bayer points to evidence that these and similar materials resulted in Belmora's distributors, vendors, and marketers believing that its FLANAX was the same as or affiliated with BCC's FLANAX. For instance, Belmora received questions regarding whether it was legal for FLANAX to have been imported from Mexico. And an investigation of stores selling Belmora's FLANAX "identified at least 30 [purchasers] who believed that the Flanax products . . . were the same as, or affiliated with, the Flanax products they knew from Mexico."

. . .

. . .In 2007, BCC … sought cancellation of Belmora's registration under § 14(3) of the Lanham Act because Belmora had used the FLANAX mark "to misrepresent the source of the goods . . . [on] which the mark is used." … [The] TTAB ordered cancellation …, concluding that Belmora had misrepresented the source of the FLANAX goods. . .

Shortly after the TTAB's ruling, Bayer filed suit in the Southern District of California, alleging that 1) BCC was injured by Belmora's false association with its FLANAX product in violation of Lanham Act § 43(a)(1)(A), and 2) BCC and BHC were both injured by Belmora's false advertising of FLANAX under § 43(a)(1)(B). . . .

Belmora meanwhile appealed the TTAB's cancellation order . . . as a civil action in the Eastern District of Virginia….

The California case was transferred to the Eastern District of Virginia and consolidated with Belmora's pending action. Belmora then moved the district court to dismiss Bayer's § 43(a) claims under Rule 12(b)(6) and for judgment on the pleadings under Rule 12(c) on the § 14(3) claim. . . . [T]he district court issued a memorandum opinion and order ruling in favor of Belmora across the board.

. . . [The district court] . . . "distilled" the case "into one single question":

> Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?

The district court concluded that "[t]he answer is no" based on its reading of the Supreme Court's decision in *Lexmark International, Inc. v. Static Control Components, Inc.,* 134 S. Ct. 1377, 188 L. Ed. 2d 392 (2014). Accordingly, the district court dismissed Bayer's false association and false advertising claims for lack of standing [and] . . . reversed the TTAB's § 14(3) cancellation order.

. . .

*A. False Association and False Advertising Under Section 43(a)*

. . .

. . . [T]he plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses "infringement." 15 U.S.C. § 1114 (requiring for liability the "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation of a *registered* mark" (emphasis added)). Under § 43(a), it is the defendant's use in commerce -- whether of an offending "word, term, name, symbol, or device" or of a "false or misleading description [or representation] of fact" -- that creates the injury under the terms of the statute. And here the alleged offending "word…" is Belmora's FLANAX mark.

What § 43(a) does require is that Bayer was "likely to be damaged" by Belmora's "use[] in commerce" of its FLANAX mark and related advertisements. [I]n *Lexmark*, a false advertising case . . . the Supreme Court, . . . observed that the real question …was "whether Static Control has a cause of action under the statute." *Id.* at 1387….

The Court concluded that § 43(a)'s broad authorization -- permitting suit by "any person who believes that he or she is or is likely to be damaged" -- should not be taken "literally" to reach the limits of Article III standing, but is framed by two "background principles," which may overlap.*Id.*

First, a plaintiff's claim must fall within the "zone of interests" protected by the statute. *Id.* ... Because the Lanham Act contains an "unusual, and extraordinarily helpful" purpose statement in § 45, identifying the statute's zone of interests "requires no guesswork." *Id*. Section 45 provides:

> The intent … is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons

> engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

. . .

The second *Lexmark* background principle is that "a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute." *Id*. The injury must have a "sufficiently close connection to the conduct the statute prohibits." *Id*. In the § 43(a) context, this means "show[ing] economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff." *Id.* at 1391.

. . .

. . . [T]his is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act's infringement provision in § 32 (which authorizes suit only "by the registrant," and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a). [Citation.]

. . . [W]e lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in *Lexmark* can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark . . . in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

...

...As the Supreme Court has pointed out, § 43(a) "goes beyond trademark protection." *Dastar Corp.,* 539 U.S. [23] at 29 [(2003)]. For example, a plaintiff whose mark has become generic -- and therefore not protectable -- may plead an unfair competition claim against a competitor that uses that generic name and "fail[s] adequately to identify itself as distinct from the first organization" such that the name causes "confusion or a likelihood of confusion." *Blinded Veterans Ass'n v. Blinded Am. Veterans Found.,* 872 F.2d 1035, 1043, 277 U.S. App. D.C. 65 (D.C. Cir. 1989); *see also Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 118-19, 59 S. Ct. 109, 83 L. Ed. 73, 1939 Dec. Comm'r Pat. 850 (1938) (requiring the defendant to "use reasonable care to inform the public of the source of its product" even though the plaintiff's "shredded wheat" mark was generic and therefore unprotectable); [citation].

...

[T]he proper *Lexmark* inquiry is twofold. Did the alleged acts of unfair

competition fall within the Lanham Act's protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury? We examine the false association and false advertising claims in turn.

As to the zone of interests, *Lexmark* advises that "[m]ost of the [Lanham Act's] enumerated purposes are relevant to false-association cases." 134 S. Ct. at 1389. One such enumerated purpose is "making actionable the deceptive and misleading use of marks" in "commerce within the control of Congress." Lanham Act; [citation]. As pled, BCC's false association claim advances that purpose.

The complaint alleges Belmora's misleading association with BCC's FLANAX has caused BCC customers to buy the Belmora FLANAX in the United States instead of purchasing BCC's FLANAX in Mexico. For example, the complaint alleges that BCC invested heavily in promoting its FLANAX to Mexican citizens or Mexican-Americans in border areas. Those consumers cross into the United States and may purchase Belmora FLANAX here before returning to Mexico. And Mexican-Americans may forego purchasing the FLANAX they know when they cross the border to visit Mexico because Belmora's alleged deception led them to purchase the Belmora product in the United States.

In either circumstance, BCC loses sales revenue because Belmora's deceptive and misleading use of FLANAX conveys to consumers a false association with BCC's product. Further, by also deceiving distributors and vendors, Belmora makes its FLANAX more available to consumers, which would exacerbate BCC's losses.

We thus conclude that BCC has adequately pled a § 43(a) false association claim for purposes of the zone of interests prong. Its allegations reflect the claim furthers the § 45 purpose of preventing "the deceptive and misleading use of marks" in "commerce within the control of Congress."

Turning to *Lexmark's* second prong, proximate cause, BCC has also alleged injuries that "are proximately caused by [Belmora's] violations of the [false association] statute." 134 S. Ct. at 1390. The complaint can fairly be read to allege "economic or reputational injury flowing directly from the deception wrought by the defendant's" conduct. *Id.* at 1391. . . . BCC alleges "substantial sales in major cities near the U.S.-Mexico border" and "millions of dollars promoting and advertising" its FLANAX brand in that region. Thus, BCC may plausibly have been damaged by Belmora's alleged deceptive use of the FLANAX mark in at least two ways…. FLANAX customers in Mexico near the border may be deceived into foregoing a FLANAX purchase in Mexico as they cross the border to shop and buy the Belmora product in the United States. Second, Belmora is alleged to have targeted Mexican-Americans in the United States who were already familiar with the FLANAX mark from their purchases from BCC in Mexico. We can reasonably infer that some subset of those customers would buy BCC's FLANAX upon their return travels to Mexico if not for the alleged deception by Belmora. Consequently, BCC meets the Lexmark pleading requirement as to proximate cause.

BCC may ultimately be unable to prove that Belmora's deception "cause[d] [these consumers] to withhold trade from [BCC]" in either circumstance, *Lexmark,*

134 S. Ct. at 1391, but at the initial pleading stage we must draw all reasonable factual inferences in BCC's favor. [Citation.] Having done so, we hold BCC has sufficiently pled a § 43(a) false association claim to survive Belmora's Rule 12(b)(6) motion. The district court erred in holding otherwise.

[The court then went on to reverse the district's dismissal of the claims for false advertising under § 43(a) and for overturning the cancellation under § 14(3) with similar reasoning.]

## C. FALSE DESIGNATION OF ORIGIN

**Page 530. Insert the following text at the end of the Note: Authors' and Performers' MoralRights:**

*See also Best Hand Entertainment LLC v. Wideawake-Deathrow Entertainment, LLC*, 2014 U.S. Dist. LEXIS 43719 (E.D. Mich. 2014) (plaintiff's false attribution count under section 43(a) based on claim that CD falsely identified defendant as the owner of copyrights, causing confusion as to origin of CD, dismissed under *Dastar).*

**Page 535. Insert a period in the second full paragraph of the *Dastar* opinion after the words "the Nile and all its tributaries." Insert a paragraph break and the following language before the next text:**

Another practical difficulty of adopting a special definition of "origin"

That sentence should now read:

Another practical difficulty of adopting a special definition of "origin" is that it places the manufacturers of those products in a difficult position.

**Page 540. Add Questions 3 through 6 below.**

**3.** Strabala, an architect who had previously worked for Gensler & Associates, promoted his new business by stating on his website that he designed several famous buildings, including the Shanghai Tower, of which Gensler was the architect of record. Gensler sued, asserting a § 43(a) false designation of origin claim among others. The district court dismissed Gensler's complaint. On appeal, the court reversed, finding the district court improperly read *Dastar* to limit § 43(a) to false designations of goods' origins and not to reach services' origins. If Strabala worked in a large team of over one hundred while at Gensler, would his statement qualify as a false designation of origin? *Dastar* found that the defendants were in fact

the origin of the videos at issue in that case. Was Strabala the origin of the design services for the famous buildings? *See M. Arthur Gensler Jr. & Assocs., Inc., v. Strabala*, 764 F.3d 735 (7th Cir. 2014).

**4.** Three well-known graffiti artists created a mural in San Francisco shown below:

The mural consists of two of the artists' pseudonyms painted over the other artist's signature "revolutions" images. The artists sued defendants who allegedly photographed the mural and used it on apparel and other items while obscuring the signatures of two of the artists. See below

Defendants moved to dismiss the claim of false designation of origin under section 43(a). How should the court rule under *Dastar*? *See Williams v. Roberto Cavalli S.p.A.,* 113 U.S.P.Q.2d 1944 (C.D. Cal. 2015).

**5.** Slep-Tone produces karaoke accompaniment tracks on CDs and other

physical media under the registered mark SOUND CHOICE. A bar hosted karaoke events put on by third parties who allegedly ripped tracks from Slep-tone's CDs onto other media such as MP3s and displayed Slep-tone's mark and trade dress during the events. Slep-tone sued the bar for trademark infringement and unfair competition. Defendant moved to dismiss under *Dastar.* Is the MP3 a new good of which the karaoke operator is the source? Or is Slep-tone accurately credited as the source? *See Slep-tone Ent. Corp. v. Sellis Enterprises, Inc.*, 87 F. Supp. 3d 897 (N.D. Ill. 2015).

**6.** In an advertising campaign for its retirement account products, TD Ameritrade used elements reminiscent of the classic movie "Dirty Dancing." Instead of the movie line "Nobody puts Baby in a corner" uttered by the movie's male lead, the ad stated "No one puts your old 401(k) in a corner." In the final dance scene from the movie, the character Baby runs to the male lead at which point he lifts her in a dance lift while the music from the song "(I've Had) the Time of My Life" plays. In the TD ad, a piggy bank runs into a man's arms and he lifts it over his head, accompanied by the line "[b]ecause retirement should be the time of your life." The owner of rights in the film sued, among other things, for infringement of its common law trademark rights under section 43(a) in the line "Nobody Puts Baby in a corner" and in the final dance lift scene. Should the court dismiss based on *Dastar*? *See Lions Gate Entertainment v. TD Ameritrade Services Co. Inc.*, 118 U.S.P.Q.2d 1103 (C.D. Cal. 2016).

# Chapter 8

# DEFENSES TO INFRINGEMENT

## A. STATUTORY DEFENSES/INCONTESTABILITY

### 2. Particular Section 33(b) Defenses

#### a. Fraud on the Trademark Office

**Page 550. Opening paragraph of introductory Note, line 6. Insert after "In *Hank Thorp, Inc. v. Minilite, Inc.*, 474 F. Supp. 228 (D. Del. 1979), the court found fraud by a registrant who knew he was not the owner of the mark.":**

In *Kleven v Hereford*, 2015 U.S. Dist. LEXIS 111185 (C.D. Cal. Aug. 21, 2015), the court found fraud when the registrant of the Rin Tin Tin mark had entered into settlement agreements acknowledging that she was not the owner of the mark for the services for which she subsequently obtained registrations.

**Page 555. Insert before Questions:**

**Nationstar Mortgage v. Ahmad** 112 U.S.P.Q.2d 1361 (T.T.A.B. 2014). Ahmad filed a use-based application for registration of "Nationstar" for real estate services, submitting fabricated specimens of use (business cards falsely listing applicant as a mortgage broker). Nationstar opposed the registration and Ahmad subsequently amended the application to an intent-to-use basis. The Board

> [took] the opportunity to confirm that once an opposition has been filed, fraud cannot be cured merely by amending the filing basis for those goods or services on which the mark was not used at the time of the signing of the use-based application. [Citations.] An applicant's statements as to its use of a mark for particular goods and services are unquestionably material to registrability. Moreover, "the law is clear that an applicant may not claim a Section 1(a) filing basis unless the mark was in use in commerce on or in connection with *all* the goods or services covered by the Section 1(a) basis as of the application filing date. 37 C.F.R. Section 2.34(a)(1)(i)." [Citation.] The applicant's statements are a fundamental statutory precondition to the issuance of a registration covering such goods and services and are relied upon by the USPTO's examining attorney in approving a use-based application for publication. Additionally, a fraud claim in an opposition notice is predicated on the opposer's belief in damage based on the application as published. See Section 13 of the Trademark Act, 15 U.S.C. § 1063 [citation]. Thus, applicant's

amendment, made after publication and institution of a challenge based on fraud, cannot aid applicant in defense of that claim.

See also *Teal Bay Alliances v. Southbound One*, 2015 U.S. Dist. LEXIS 10940 (D. Md. 2015) (ordering cancellation of mark when registrant submitted fabricated specimens of use: photographs of t-shirts that in fact had not been sold in commerce).

**Page 555. Questions:** *Sovereign Military Hospitaller*, "702 F.3d 1292" should be "702 F.3d 1279".

**Page 557. Add to end of squib of *Sovereign Military Hospitaller*:**

On remand, the district court again found fraud on the PTO and the 11th Circuit again reversed, 809 F.3d 1171 (11th Cir. 2015). The appellate court held that the registrant's awareness of a Delaware group's prior use of Knights of Malta and related marks as collective membership marks irrelevant to the Sovereign Military Hospitaller Order's registration of Knights of Malta and related marks as service marks.

### b. Fair Use: § 33(b)(4)

**p. 561 *Kelly-Brown v. Winfrey*: Replace the district court decision**

**KELLY-BROWN v. WINFREY**
717 F3d 295 (2d Cir. 2013)

STRAUB, CIRCUIT JUDGE:

Plaintiff Simone Kelly-Brown ("Kelly-Brown") is the owner of a motivational services business, Own Your Power Communications, Inc., that holds events and puts out publications under the registered service mark "Own Your Power." Defendants Oprah Winfrey ("Oprah"), Harpo, Inc., and Harpo Productions, Inc. (collectively, "Harpo"), and Hearst Corp. and Hearst Communications, Inc. (collectively, "Hearst") were involved in the production of a magazine, event, and website also employing the phrase "Own Your Power." Kelly-Brown argues that in so using the phrase, the defendants infringed upon her mark. . . .

Kelly-Brown appeals from the grant of a motion to dismiss in the Southern District of New York (Paul A. Crotty, Judge), finding that the defendants' use of the phrase "Own Your Power" was fair use. . . .

Defendants argue that the use of the phrase "Own Your Power" was descriptive of the publications to which that phrase was attached. They argue that the use of the phrase on the Magazine's cover describes its contents and also "served as an exhortation for readers to take action to own their power and described a desired benefit of reading the Magazine Issue." They further assert that subsequent uses of the phrase in connection with the Event, on the Website, etc., were merely referring back to this original, approved use.


At the outset, it should be noted that the phrase "Own Your Power" differs from the sort of phrase which courts usually find to be used descriptively. Courts more readily find a phrase descriptive when it is in common usage. For example, we have found the instruction "Seal it with a Kiss!!" to be descriptive where lipstick testers were to kiss a postcard wearing the lipstick and then send it to a loved one. *Cosmetically Sealed Indus*., 125 F.3d at 30. In so holding, we noted, "The phrase 'sealed with a kiss' is a fixture of the language, used by generations of school girls, who have given it such currency that it is readily recognized when communicated only as an acronym—SWAK." *Id*. Similarly, the Seventh Circuit held that the phrase "The Joy of Six" was descriptive after noting that the phrase "is a play on the 1970s book series The Joy of Sex" and "has been used to describe positive feelings associated with six of anything." *Packman*, 267 F.3d at 641. By contrast, we have held that the slogan "Swing Swing Swing" for golf clubs, playing on the title of the Benny Goodman song "Sing Sing Sing," was not descriptive because golfers "swing" their clubs, not "swing swing swing" them. *EMI Catalogue P'ship*, 228 F.3d at 65.

Defendants have not argued that the phrase "Own Your Power" was in popular usage. Nor indeed could they in a motion to dismiss. Doing so would surely require defendants to reference material beyond the four corners of the complaint. Of course, discovery may reveal that the phrase has some wider currency than is immediately apparent.

To be sure, there is no requirement that a usage be immediately recognizable as a popular phrase for it to be descriptive. *See Sands, Taylor & Wood Co.*, 978 F.2d at 952-53. In *Sands*, the court held that a material issue of fact existed regarding whether the tagline "Gatorade is Thirst Aid" was descriptive notwithstanding the fact that it was not a "common phrase." *Id.* at 953. It so held because "the average consumer [could] perceive[] 'Thirst Aid' as describing a characteristic of Gatorade—its ability to quench thirst." *Id*.

But here the phrase "Own Your Power" does not describe the contents of the Magazine. The words are prominently displayed in the center of the Magazine with the subtitles "How to Tap Into Your strength"; "Focus Your Energy"; and "Let Your Best Self Shine" in smaller type below. Along the edges of the magazine are specific headlines for articles, including "THE 2010 O POWER LIST! 20 Women Who Are Rocking the World." Although both the center phrase and the article headline make use of the word "power," it does not appear that the phrase "Own Your Power" is meant to describe the contents of a particular item in the Magazine. For example, the "Power List" inside the Magazine contains a list of admirable people, accompanied by biographical information about each. But the list does not provide specific advice regarding how a reader can follow in the footsteps of any of these individuals, nor does it provide advice regarding how a reader can become more powerful in general.

The Table of Contents of the Magazine further underscores the fact that the phrase is not used as a headline for a particular article or content. The bottom left corner of the page contains a smaller picture of the cover and a list describing where the articles referenced on the cover can be found. It does not list any article corresponding to the phrase "Own Your Power."

It is the defendants' burden here to show that their use of the phrase "Own Your Power" was descriptive. At this stage in the litigation, defendants have not made that showing.

———

On remand, 95 F. Supp. 3d 350 (S.D.N.Y. 2015), defendants did succeed in making the requisite showing, both as to the lack of distinctiveness of the phrase claimed as a mark, and with respect to the fair use defense. (The court also found no likelihood of confusion.)

The court held that defendants' use was made other than as a mark; in a descriptive sense; and in good faith.

> "Own Your Power" is a commonly used phrase and courts "more readily find a phrase descriptive when it is in common usage." [Citation.] Defendants' expert evidence demonstrates that the phrase has been used since at least 1981 as "a common motivational exhortation to harness or achieve mastery over one's own power." This evidence is supported by Defendant Oprah Winfrey's own use of the phrase in her 1993 commencement speech at Spelman College, as well as numerous recent examples of the phrase's use in the media, [Citation.] While Plaintiffs challenge Defendants' expert and note that he describes the phrase's meaning as "complicated stuff," Plaintiffs fail to present any evidence demonstrating that their use of the phrase is unique or uncommon.
>
> In each instance, Defendants use the phrase to describe their overall message of self-empowerment. On the magazine cover the phrase is used as the headline to describe the issue's theme. ("The [October 2010] Issue was devoted to the theme of power and featured the O Power List"); (the following phrases were also on the cover of the October 2010 issue: "Unlock Your Inner Superstar: Our 4-step plan"; "The 2010 O Power List!: 20 Women Who Are Rocking the World"; "How to Tap Into Your Strength"; "Focus Your Energy"; and "Let Your Best Self Shine"). Similarly, at Defendants' conference, the phrase appears on banners, surrounded by other power/confidence evoking words that are encapsulated by the phrase "Own Your Power." Moreover, Defendant Oprah Winfrey uses the phrase descriptively on her TV show when she advises Serena Williams to "own her own power."
>
> Accordingly, Defendants demonstrate that "Own Your Power" is a commonly used phrase and was used in a descriptive, non-trademark way.

**QUESTION**

Is there a difference between non trademark use and fair use under § 33(b)(4)? See *Kassa v. Detroit Metro Convention*, 117 U.S.P.Q.2d 1317 (E.D. Mi., 2015) (dismissing complaint by registrant of "Welcome to the D" for clothing and for entertainment services against Detroit Metro Convention and Visitors Bureau's use of the phrase on signs and banners connected with sporting events held in the city; holding defendants did not use the phrase as a trademark, and that their use was fair use).

**Page 573. Insert following *KP Permanent Make-Up* (remand decision):**

**Pinterest, Inc. v. Pintrips, Inc.**, 140 F. Supp. 3d 997 (N.D. Cal. 2015). Pinterest holds federal registrations for PINTEREST and PIN for its service enabling users to view, post and organize content in which they are interested by creating "pins" – pieces of digital content shaped like a vertical rectangular box, that contain a photo, caption, and various action buttons" – on their virtual Pinterest "Pinboard." Pinterest also uses, but has not registered "PIN IT." Pintrips is an online travel planning service that enables users to monitor fluctuating airline prices. "In order to use the Pintrips service, users must create an account on the Pintrips website and download a Google Chrome browser extension. Once installed, the Chrome browser extension inserts Pintrips' pin button next to airline itineraries when the user visits certain third-party travel websites. When a Pintrips user clicks on the pin button next to an itinerary, that itinerary is automatically 'pinned' to that user's 'Tripboard' on the Pintrips website. Once pinned, the price displayed next to the itinerary on the user's Tripboard will update to reflect the flight's real-time pricing and availability." The court found that Pintrips' use of the word "pin" on the website's pin button was a fair use under § 33(b)(4):

> **1. Pintrips Uses "Pin" to Describe a Feature of its Service, Not as a Mark**
>
> . . .
>
> In this case, Pintrips has provided overwhelming evidence that its use of the word pin is used to describe the common act of pinning—*i.e.*, one of the services offered by the Pintrips website—and not to identify, distinguish, or indicate the source of those goods or services. Pintrips produced substantial evidence at trial that the terms pin and pinning have concrete and well-known meanings in both the computing field generally and the social media field specifically. The Court credits the unrebutted testimony of Pintrips' expert Peter Kent, who explained that early software designers traditionally used real-world metaphors such as folders, files, desktops, and bulletin boards to describe new technological functions. Mr. Kent's testimony and the exhibits accepted into evidence demonstrate that the words pin and pinning have been used for over twenty years to describe the act of attaching one virtual object to another, much like one would use a physical pin to attach an object to a cork board. . . .
>
> Pintrips also presented evidence that some of the largest and most successful software and Internet companies have, for over a decade, used the word pin for this common and well-known purpose. For example, Microsoft's 2001 operating system, Windows XP, provided its users the ability to pin certain virtual objects—such as

programs, folders, or files—to the operating system's start menu. Mr. Kent further testified that Microsoft also included the pinning functionality in its Word, Access, Excel, and PowerPoint programs, as well as its web browsers. In addition, Google offers its users a downloadable add-on toolbar for web browsers, which allows users to pin certain virtual buttons for easy access, and also included the pinning functionality in its Android smartphone and tablet operating system. In short, the Court found Mr. Kent's testimony (and the exhibits introduced during his testimony) to be credible and persuasive evidence that the word pin and the act of pinning are common and well-understood terms across virtually all major forms of computer technology purchased and used by the public.

Mr. Kent provided evidence that large social media websites similar to Pinterest use the term pin to describe the same functionality. For example, Facebook permits users to pin posts to a "group" and to pin messages, photos, and videos to each user's personal Facebook "timeline." Numerous media articles—many of which predate the genesis of Pinterest—report the terms pin and pinning as used in the same fashion by other companies. . . . In short, the words pin and pinning are regularly used to describe a particular, well-known, and decades-old computer operation.

Accordingly, Pintrips' pin button must be viewed in light of the long and pervasive use of similar pinning features and buttons employed by all manner of software and Internet companies. With that context in mind, no reasonable weighing of the evidence presented at trial could lead to the conclusion that Pintrips used the term pin as a way to identify, distinguish, or indicate the source of its goods or services. In fact, any attempt to *distinguish* Pintrips by use of its pin button would be futile, given that the words pin and pinning have been used to describe the same feature by many of the most popular and well-known software and Internet products since well before Pintrips' creation. The home page of the Pintrips website reinforces this interpretation. The Pintrips website expressly describes its pin button as a feature of the website that permits users to perform the same well-known pinning function offered by . . . numerous software products and Internet websites . . .

Pinterest argues that "[t]he existence of numerous alternatives for labeling content creation buttons like Pinterest's Pin It and Pintrips' 'pin' buttons confirms that Pintrips' use of 'pin' was not descriptive." But the *Fortune Dynamic* case cited by Pinterest does not support that broad statement. In *Fortune Dynamic*, the Court found that the word "delicious" was more suggestive than descriptive because the defendant had a number of alternative words that could adequately capture its

goal of providing a "playful self-descriptor" on the front of its tank top. 618 F.3d at 1042. The Ninth Circuit's observation does not mean that any word with a synonym must be suggestive. For example, the term "copy and paste" is no less descriptive because other words, such as "reproduce and insert," could also be used to accurately describe the same computer operation. In fact, Pinterest's proposal that Pintrips use an alternative word for pin similar to "tweet," "stumble" or "luv"—none of which are descriptive terms of the kind contemplated by 15 U.S.C. § 1115(b)(4)—suggests that Pinterest's real argument is that Pintrips does not have a right to use the common descriptive word pin so long as it could create its own branded non-descriptive word as a stand-in. That position is flatly inconsistent with 15 U.S.C. § 1115(b)(4). Pintrips may avail itself of the fair use defense whether or not it could have dreamed up a non-descriptive word to use in place of pin.

**QUESTION**

Should Pinterest's PIN mark be cancelled as generic? Given the testimony that the term has been used in connection with operating systems and social media for twenty years, would Pinterest's registration be vulnerable to cancellation for fraud on the trademark office (see *supra*, this Chapter 8.A.2.a)?]

### c. Functionality § 33(b)(8)

**Page 584. Add following the *Christian Louboutin, S.A. v. YSL America Holding, Inc*. opinion:** In March 2013 the Second Circuit, in a per curiam opinion, rejected Louboutin's request to modify the 2012 judgment. See 709 F.3d 140 (2013).

**Page 585. Insert following *Auto-Gold*:**

**Groeneveld Transport Efficiency, Inc. v Lubecore Int'l.**, 730 F.3d 494 (6th Cir. 2013). Groeneveld Transport Efficiency, Inc. makes grease pumps. So does Lubecore, a company started by a former Groenevelt employee. Groeneveld complains that Lubecore's grease pump is "virtually identical" to Groeneveld's. The two pumps are pictured below.


A jury found the Groeneveld grease pump's trade dress to be non-functional, to have achieved secondary meaning, and Lubecore's grease pump to be likely to be confused with Groeneveld's. Lubecore appealed; the Sixth Circuit reversed:

> C. Nonfunctionality
>
> Groeneveld does not dispute that its grease pump is a functional device designed to automatically lubricate commercial trucks. Nor does Groeneveld attempt to protect the individual component parts of its pump. Rather, the question is whether the "overall shape" of the grease pump (such shape being the trade dress claimed by Groeneveld) "is essential to the use or purpose of the article or . . . affects the cost or quality of the article." *See Inwood Labs., 456 U.S. at 850 n.10.*
>
> Groeneveld's pump, in its overall shape, consists of a black base topped by a clear reservoir. The base is made of cast aluminum and contains the pump mechanism, which is connected by wires and hoses to the rest of the ALS [automated lubrication system]; the reservoir is made of plastic and holds the grease. Both components clearly serve a function essential to the product's operation.
>
> Trial testimony by two Groeneveld witnesses, Willem van der Hulst and Cornelius Wapenaar, makes clear that not only the basic manufacture of the grease pump's components, but also their size and shape, are closely linked to the grease-pumping function. The shape of the base is functionally determined because it minimizes the amount

> of material needed in construction. And the volume of the reservoir is functionally dictated by the amount of grease that the vehicle needs during each servicing interval. The use of clear material in the reservoir is also functional because it allows one to easily see how much grease is left in the pump.
>
> Because the volume of the reservoir (like that of any cylinder) is the algebraic product of its surface area times its height, and because the surface area and the volume of the reservoir are both functionally determined (the former by the necessity of fitting into the base and the latter by the necessity of holding a predetermined amount of grease), the height is also functionally determined. The overall design of the grease pump is therefore functional. As the magistrate judge found when denying Groeneveld's motion for a preliminary injunction, "all the elements of Groeneveld's pump are there for some practical benefit or reason . . . . Groeneveld has not presented its pump as in any way the equivalent of an automotive tail fin--a purely ornamental feature that contributes no demonstrable benefit to the operation or efficiency of the designed product."
>
> Because Groeneveld presented no evidence showing that the individual components of its grease pump or their overall configuration are nonfunctional, it failed to carry its burden of creating a triable issue of fact with respect to nonfunctionality. *See Antioch Co. v. W. Trimming Corp.,* 347 F.3d 150, 158 (6th Cir. 2003) ("[I]n order to receive trade dress protection for the overall combination of functional features, those features must be configured in an arbitrary, fanciful, or distinctive way. . . . In other words, where individual functional components are combined in a nonarbitrary manner to perform an overall function, the producer cannot claim that the overall trade dress is nonfunctional." (citing *TrafFix Devices, Inc. v. Mktg. Displays, Inc.,* 532 U.S. 23, 34, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001)*)*; *Leatherman Tool Grp., Inc. v. Cooper Indus., Inc.,* 199 F.3d 1009, 1013 (9th Cir. 1999) (reversing the jury's finding of trade-dress infringement, granting judgment as a matter of law for the defendant, and holding that "where the whole is nothing other than the assemblage of functional parts, and where even the arrangement and combination of the parts is designed to result in superior performance, it is semantic trickery to say that there is still some sort of separate 'overall appearance' which is non-functional").

The court rejected the relevance of the availability of alternative designs; it was particularly critical of the assertions of plaintiff's chief design officer, whose "entirely conclusory" statements the court found insufficient to raise a triable issue of fact concerning non functionality:

Groeneveld next points to the testimony of Willem van der Hulst, its Vice President of Design and Production, who was involved in designing the EP0 grease pump. Van der Hulst testified that Groeneveld did not "have to make its pump look this way on the inside because of the way it works on the outside." For the reasons stated above, this testimony is insufficient to create a triable issue of fact under *TrafFix Devices* because it improperly focuses on the possibility of alternative designs.

Moreover, van der Hulst's testimony was entirely conclusory--he simply asserted that Groeneveld was not limited to any particular design, but he did not explain *why* the chosen design was nonfunctional, and certainly did not speak with any particularity about the functional considerations that, as outlined above, apparently dictated the pump's design. The same goes for van der Hulst's bald assertion that the pump's design did not "affect the way the thing performs." *See Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co., Ltd*., 668 F.3d 677, 684 (9th Cir. 2012) (holding that the plaintiff's evidence of nonfunctionality was insufficient as a matter of law where, "[e]xcept for conclusory, self-serving statements, [the plaintiff] provide[d] no other evidence of fanciful design or arbitrariness").

. . .

Finally, Groeneveld points to van der Hulst's testimony that the other grease pumps on the market look "terrible," and that Groeneveld's founder was "different from the really old-fashioned mechanical people" in that "he had very good choice" and "like[d] nice things," such as "a nice office, nice cars, nice people." Van der Hulst also testified that Groeneveld has not switched to alternative grease-pump designs, even though they might be cheaper, because the current pump is "a very nice pump" and "[e]verybody knows this pump."

But these statements fail to meaningfully address the issue of nonfunctionality. The fact that Mr. Groeneveld has good taste does nothing to prove that the grease pump's design is nonfunctional. And to the extent that van der Hulst's testimony was intended to show that less attractive or cheaper grease-pump designs were also possible, such a showing plainly falls short under *TrafFix Devices* because courts should not inquire into alternative designs when the design at issue is substantially influenced by functional considerations. [Citation].

In short, Groeneveld's evidence was insufficient to enable a reasonable jury to find that the grease pump's design is nonfunctional. And Groeneveld's proof of nonfunctionality is rendered even more

> wanting by the fact that Lubecore has pointed to the testimony of van der Hulst and Wapenaar, Groeneveld's own witnesses, to show that the pump's volume, shape, and materials are all essentially influenced by the dictates of function.

**Lyden v. Adidas Am., Inc.,** 118 U.S.P.Q. 2d 1728 (D. Ore. 2016). Lyden registered a mark consisting of "a spring element in the rearfoot area of footwear" as represented in the following drawings:

**Supplemental Registration No. 3,629,011**

**Supplemental Registration No. 3,633,365**

Lyden also held patent registrations for the shoe designs, with claims focusing on the spring element and heel counter. He sued Adidas for both trademark and patent infringement. The court accepted Adidas' functionality defense to Lyden's trademark infringement claim. Addressing the question whether the trade dress conferred a utilitarian advantage, the court relied on Lyden's patent claims of a "spring element in the rearfoot area of footwear" and that "the article of footwear includes a spring element which can provide improved cushioning, stability, running economy, and a long service life." The court discounted the availability of alternative designs: "Where, as here, there is strong evidence of functionality due to the existence of patents and the explanations included in patents, the existence of alternative designs is not dispositive."

**Page 585. Renumber current Questions 1 and 2 as 2 and 3. Insert new Question 1:**

**1.** The *Groeneveld* court found that the plaintiff had failed to prove that functional considerations did not "substantially influence" the grease pump's appearance. Is the burden of proof always on the plaintiff to disprove functionality? Is the standard for functionality always "substantial influence," as opposed to "dictated by" functional considerations, or lack of alternative designs?

**d. Laches § 33(b)(9)**

**Page 592. Questions following *Oriental Fin. Group*. Add new Question 4:**

**4**. Does/should willful infringement bar a laches defense? See *D.C. Comics v. Towle*, 802 F.3d 1012 (9th Cir. 2015) (knowing exploitation of "Batmobile" trademark for replicas of the vehicle).

## B. JUDGE-MADE DEFENSES

### 1. Nominative Fair Use

**Page 592. First paragraph of introductory note, line 11: Replace**

Only the Sixth Circuit has expressly rejected the Ninth Circuit's elaboration of the defense, see *PACCAR Inc. v. TeleScan Technologies, L.L.C.,* 319 F.3d 243 (6th Cir. 2003), while the Fourth Circuit has declined to rule one way or the other, *see Rosetta Stone, Inc. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

**with thefollowing:**

The Sixth Circuit and now the Second Circuit have expressly rejected the Ninth Circuit's elaboration of the defense, see *PACCAR Inc. v. TeleScan Technologies, L.L.C.,* 319 F.3d 243 (6th Cir. 2003); *Int'l Info. Sys. Sec. Certification Consortium v. Sec. Univ., LLC*, 2016 U.S. App. LEXIS 9045 (2d Cir. May 18, 2016), but the Second Circuit has integrated the Ninth Circuit's nominative fair use factors into the *Polaroid* factors, see edited case, *infra*. The Fourth Circuit has declined to rule one way or the other, *see Rosetta Stone, Inc. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

**Page 599. Insert before Questions:**

**INT'L INFO. SYS. SEC. CERTIFICATION CONSORTIUM V. SEC. UNIV., LLC**
2016 U.S. App. LEXIS 9045 (2d Cir. May 18, 2016)

POOLER, Circuit Judge:

Plaintiff-appellant International Information Systems Security Certification Consortium, Inc. ("ISC2") filed suit against defendants-appellees Security University ("SU") and Sondra Schneider, alleging that SU's use of ISC2's certification mark

violated the Lanham Act, 15 U.S.C. § 1051 et seq., and constituted infringement under 15 U.S.C. § 1114, false designation of origin and false advertising under 15 U.S.C. § 1125(a), . . . Following cross-motions for summary judgment, the district court granted summary judgment to defendants on all grounds, holding that defendants' use of the certification mark constituted nominative fair use under the Ninth Circuit's test, which our Court has not, to this point, adopted. Critical to its determination that defendants' use of the mark constituted nominative fair use under the Ninth Circuit's test were the district court's misperceptions that the only type of confusion relevant to an infringement claim was confusion as to source and that a certification mark could not be infringed by a duly certified individual.

Having considered other circuits' nominative fair use tests as well as our own prior treatment of claims involving nominative use, we hold that nominative fair use is not an affirmative defense to a claim of infringement under the Lanham Act. We further hold that in cases involving nominative use, in addition to considering the *Polaroid* factors, courts are to consider (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship between plaintiff's and defendant's products or services. When considering these factors, courts must be mindful of the different types of confusion relevant to infringement claims, including confusion as to sponsorship, affiliation, or connection, as well as, when considering a certification mark, the various ways such a mark can be infringed.

Because the district court failed to consider the *Polaroid* factors and because its consideration of the relevant nominative fair use factors was based on incorrect assumptions, we vacate the district court's grant of summary judgment on the infringement claims.…

BACKGROUND

I. The CISSP® Mark

A. ISC2's Mark

ISC2 is a non-profit organization that was formed in 1989 to develop standards for the information security industry. In March 1990, ISC2 developed a certification program and began using the certification mark "CISSP®" to denote a "Certified Information Systems Security Professional" who has met certain requirements and standards of competency in the information security field, including passing the CISSP® certification examination that ISC2 administers.

On March 18, 1997, the United States Patent and Trademark Office registered ISC2's CISSP® certification mark. The registration stated: "The [CISSP®] certification mark is used by persons authorized by the certifier [ISC2] to certify completion of appropriate work experience and/or successfully passing examinations as established by the certifier in the field of security of information systems."

B. SU's Alleged Infringement

SU is a for-profit company that was formed in 1999 by defendant-appellee Sondra Schneider, a CISSP®-certified individual, to provide information security training. SU offers various classes, including a class to prepare individuals for ISC2's CISSP® certification examination. SU has used the CISSP® mark in connection with certification-specific training courses since 2001. It is undisputed that SU is allowed to use the CISSP® certification mark to indicate that its services are directed at preparing students for the CISSP® certification examination. Furthermore, given the nature of ISC2's certification mark, SU instructors may accurately identify themselves as being CISSP®-certified, so long as they follow ISC2's regulations governing the use of the mark.

However, ISC2 objects to some of SU's advertisements, run between 2010 and 2012, which, ISC2 argues, misleadingly suggested that SU's instructor, Clement Dupuis, had attained some higher level of certification as a "Master CISSP" or "CISSP Master." These advertisements include the following statements:

- "MASTER THE 10 CISSP DOMAINS with the Master CISSP® Clement Dupuis."

- "REGISTER NOW to Master the CISSP® Certification with Master CISSP® Instructor Clement Dupuis of www.ccure.org!"

- "Register for CISSP® Prep class with Master CISSP Clement Dupuis today!"

- "You are taught by CISSP Master Clement Dupuis, the father of www.ccure.org website."

- "Security University's CISSP® Prep Class[.] Register for CISSP® Prep class with Master CISSP Clement Dupuis today!"

- "Attend the BEST CISSP® Prep Class in Europe[.] Master CISSP June 27-30 AMERSTERDAM with MASTER CISSP® Instructor Clement Dupuis[.]"

SU began using the term "Master" in May 2010. On June 9, 2010, ISC2's counsel wrote to Schneider asking that she cease using the phrase "Master CISSP" in SU's advertisements. On June 13, 2010, Schneider emailed Marc Thompson, an

employee of a third party entity that oversees seminars on ISC2's behalf, stating that "SU will continue to use the word Master. Master Clement Dupuis is a Male Teacher [and] thus he is a Master according to the dictionary." [Citation]. On July 15, 2010, ISC2's counsel "again wrote to Ms. Schneider requesting that she and SU cease and desist their improper advertising." Although ISC2's exhibits reveal that SU continued using this terminology at least through February of 2012, SU submitted declarations in support of its motion for summary judgment stating that it no longer uses these terms in its advertising materials.

. . .

B. Summary Judgment Motions

In December 2013, the parties cross-moved for summary judgment. On August 7, 2014, the district court granted summary judgment to SU on all counts. In sum, the district court found that ISC2's claims of infringement and false designation of origin failed under the doctrine of nominative fair use because SU's alleged misuse of ISC2's certification mark could not give rise to confusion as to the source of SU's services. In conducting its analysis, the district court did not assess likelihood of confusion from Defendants' use of ISC2's mark based on our Court's test, but rather applied the Ninth Circuit's doctrine of nominative fair use, according to which "[n]ominative fair use applies when all three of the following requirements are met: '[1] the product or service in question must be one not readily identifiable without 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 user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.'" [Citation] Finding that Defendants had succeeded on all three elements, the district court ruled that, "[e]ven after drawing all inferences in Plaintiff's favor, . . . no reasonable juror could find that [Defendants' uses] of the CISSP mark suggest that Defendants' training courses were sponsored or endorsed by Plaintiff." [Citation.]

Central to the district court's analysis was its conclusion that "Defendants' addition of the word 'Master' before or after 'CISSP®' . . . . does not implicate the protection afforded by trademark infringement laws, which are concerned with 'whether there exists a likelihood that an appreciable number of ordinarily prudent purchasers will be misled, or indeed simply confused, as to the source of the goods in question.'" . . . Indeed, although the district court asserted that no reasonable juror could find sponsorship or endorsement, its conclusion was based entirely on the fact that the advertisements did not "suggest[] that (ISC)2 itself is offering the classes."

. . .

## DISCUSSION

### I. Certification Marks

A "certification mark," such as CISSP®, is a special sub-category of marks which, unlike other trademarks, is intended to be used by those other than its owner, to indicate the quality, accuracy, or other characteristics of the goods or services. . . . The CISSP® mark is meant to certify quality and characteristics, that is, that the security information professional bearing the CISSP® mark meets ISC2's standards and has passed its competency test.

In spite of the differences between certification marks and other types of marks, the Lanham Act provides that certification marks are generally entitled to the same protection from infringement as are trademarks. [citations].

### II. Infringement Claims

. . . Defendants do not dispute that ISC2's mark merits protection; they merely argue that their use of the mark is non-infringing.

. . .

### A. Types of Confusion Relevant to Infringement Claims

The district court held that the only type of confusion relevant in determining infringement is confusion as to source. This is incorrect; protection is not exclusively limited for any type of mark to cases in which there may be confusion as to source.[3] Rather, "[t]he modern test of infringement is whether the defendant's use [is] likely to cause confusion not just as to source, but also as to sponsorship, affiliation or connection." 4 McCarthy on Trademarks and Unfair Competition [hereinafter "McCarthy"] § 23:76 (4th ed.) (emphasis added). . . . [T]he Lanham Act protects against numerous types of confusion, including confusion regarding affiliation or sponsorship. [Citations.]

. . .

### C. Likelihood of Confusion in Nominative Use Cases

Having determined that the district court erred in considering only source confusion and erroneously limiting the ways in which certification marks can be infringed, we turn to the question of how the district court should assess likelihood of confusion on remand.

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[3] Indeed, considering only source confusion would make little sense in the context of certification marks, as certification marks are generally not used to designate source at all.

[O]ur Court's test for assessing likelihood of confusion is the *Polaroid* test. . . . This Court has repeatedly urged district courts to apply the *Polaroid* factors even "where a factor is irrelevant to the facts at hand." [Citation]

The district court, rather than applying the Polaroid factors, applied the Ninth Circuit's test which applies in cases of nominative use of marks. . . .

Other circuits have adopted variations of this test. *See, e.g., Universal Commc-n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413, 424 (1st Cir. 2007); *Century 21 Real Estate Corp. v. Lendingtree, Inc*., 425 F.3d 211, 220-22 (3d Cir. 2005); *Pebble Beach Co. v. Tour 18 I Ltd*., 155 F.3d 526, 546-47 (5th Cir. 1998), *abrogated on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc*., 532 U.S. 23 (2001).

In the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is, in fact, a likelihood of consumer confusion. Rather, the nominative fair use test replaces the multi-factor test that the Ninth Circuit typically employs to determine consumer confusion, i.e., it replaces the Ninth Circuit's analogue to the *Polaroid* test. [Citations]

By contrast, the Third Circuit, another court to have developed a nominative fair use doctrine, affords defendants broader protection. The Third Circuit treats nominative fair use as an affirmative defense that may be asserted by the defendant despite a likelihood of consumer confusion. To be entitled to protection based on the affirmative defense, a defendant must show

> (1) that the use of plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service; (2) that the defendant uses only so much of the plaintiff's mark as is necessary to describe plaintiff's product; and (3) that the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services.

*Century 21 Real Estate Corp*., 425 F.3d at 222.

To this point, this Court has not adopted either the Ninth Circuit or the Third Circuit's rule on nominative fair use. [Citation.] Nonetheless, district courts within our Circuit frequently use the Ninth Circuit's formulation. [Citations.] Further, as discussed below we have endorsed the principles underlying the nominative fair use doctrine. [Citation.]

Having considered the case law, as well as the positions of the United States Patent and Trademark Office,[5] we reject the Third Circuit's treatment of nominative

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[5] We invited the United States Patent and Trademark Office to submit a letter brief regarding several issues to be decided in this appeal. It did so on August 14, 2015 and August 31, 2015, through submissions signed by the United States Patent and Trademark Office and the Department of Justice.

fair use as an affirmative defense. The Lanham Act sets forth numerous affirmative defenses to infringement claims that can be asserted even if the plaintiff has established likelihood of confusion. See 15 U.S.C. § 1115(b). The Third Circuit's basis for treating nominative fair use as an affirmative defense is that the Supreme Court has treated classic, or descriptive, fair use as an affirmative defense. [Citation.] But in treating descriptive fair use as an affirmative defense, the Supreme Court was interpreting a provision of the Lanham Act which provided that claims of infringement are subject to various defenses, including

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin . . . .

15 U.S.C. § 1115(b)(4); see *KP Permanent Make-Up, Inc*., 543 U.S. at 118-20 (analyzing 15 U.S.C. § 1115(b)(4) and ultimately concluding that Congress intended descriptive fair use to be an affirmative defense). That is, under the Supreme Court's interpretation, the Lanham Act explicitly provides that descriptive fair use is an affirmative defense. And nominative fair use cannot fall within § 1115(b)(4)'s language, as nominative fair use is not the use of a name, term, or device otherwise than as a mark which is descriptive of and used merely to describe the goods or services of the alleged infringer. [Citation.] Nominative use involves using the mark at issue as a mark to specifically invoke the mark-holder's mark, rather than its use, other than as a mark, to describe the alleged infringer's goods or services. If Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such. We therefore hold that nominative fair use is not an affirmative defense to an infringement claim.

We turn next to the question of whether we should adopt a nominative fair use test, either to supplant or to replace the *Polaroid* test. Although we see no reason to replace the *Polaroid* test in this context, we also recognize that many of the *Polaroid* factors are a bad fit here and that we have repeatedly emphasized that the *Polaroid* factors are non-exclusive. And although we have not expressly rejected or accepted other circuits' nominative fair use tests, we "have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant." [Citations.]

Because we believe that the nominative fair use factors will be helpful to a district court's analysis, we hold that, in nominative use cases, district courts are to consider the Ninth Circuit and Third Circuit's nominative fair use factors, in addition

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"We consider the views expressed therein for persuasive value." [Citations.]

to the *Polaroid* factors.[6] When considering a likelihood of confusion in nominative fair use cases, in addition to discussing each of the *Polaroid* factors, courts are to consider: (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship between plaintiff's and defendant's products or services.

When assessing the second nominative fair use factor, courts are to consider whether the alleged infringer "step[ped] over the line into a likelihood of confusion by using the senior user's mark too prominently or too often, in terms of size, emphasis, or repetition." McCarthy § 23:11; *see, e.g., PACCAR Inc. v. TeleScan Technologies*, L.L.C., 319 F.3d 243, 256 (6th Cir. 2003) ("Using [the plaintiff's] trademarks in its domain names, repeating the marks in the main titles of the web sites and in the wallpaper underlying the web sites, and mimicking the distinctive fonts of the marks go beyond using the marks 'as is reasonably necessary to identify' [the plaintiff's] trucks, parts, and dealers."), *abrogated on other grounds by KP Permanent Make-Up, Inc.,* 543 U.S. at 116-17; *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 908 (9th Cir. 2003) (considering the fact that the defendant used the mark "'The Beach Boys' more prominently and boldly" than the rest of its name "The Beach Boys Family and Friends" such that event organizers and members of the audience were confused about who was performing); [other citations].

Additionally, when considering the third nominative fair use factor, courts must not, as the district court did here, consider only source confusion, but rather must consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder. [Citation.]

We therefore remand for reconsideration of the *Polaroid* factors in addition to the nominative fair use factors, keeping in mind the numerous types of confusion that are relevant to an infringement analysis other than mere source confusion and the numerous ways in which a certification mark may be infringed. . . .

**Page 599. Renumber Questions 1 and 2 as 2 and 3. Add new Question 1:**

**1.** What difference does it make whether the nominative fair use factors are assessed as part of an affirmative defense, or instead are incorporated into the factors evaluating confusion as part of plaintiff's case in chief?

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[6] As we have emphasized with reference to the *Polaroid* factors, this combination of factors is not exclusive, and other factors may be considered where relevant.

**Page 605. Change "Question" to "Questions"; Renumber current question as 1, add new question 2:**

**2.** Your client, "Ikeahackers" operates a website, under the domain name ikeahackers.com, for people who create new furniture (or improbable objects) by taking apart and recombining pieces of their Ikea furniture. "The ideas range from simply adding decorations to make a piece look unique to major revamps that require 'power tools and lots of ingenuity.'" http://arstechnica.com/tech-policy/2014/06/ikea-waits-8-years-then-shuts-down-ikeahackers-site-with-trademark-claim/ The site does not sell anything, but carries advertising. Ikea has sent a letter demanding that your client cease using "ikea" in its domain name. What do you advise?

### 3. First Sale

**Page 614. Change "Question" to "Questions"; Renumber current question as 1, add new question 2:**

**2.** Cecil McBee is a jazz musician. It is also a trademark registered and used in Japan for teenage girls' fashion. McBee failed in his attempts in Japan and in the U.S. to prevent the use of the Japanese mark. (See main casebook, at 362.) Suppose an American entrepreneur visiting Tokyo purchased several dozen "Cecil McBee" teenage fashion items and once back in the US offered them for sale in her "cool Japanese fashion" boutique, advertising them truthfully as hot Japanese fashion goods acquired in and imported from Japan. Is her activity protected by the trademark exhaustion/first sale doctrine? Should it matter whether the resold item was made and purchased in the US, or instead the item is a genuine but different product made by a different foreign company which had (apparently legitimately) adopted a mark that might be confusingly similar to a US mark?

### 4. Sovereign Immunity

**Page 620. Add to end of second-to-last paragraph of Note that begins on page 619:**

While Congress has not abrogated States' Eleventh Amendment immunity, and courts require express or unequivocal waiver of immunity, trademark infringement plaintiffs may nonetheless seek injunctive relief (but not damages) against state officials under the doctrine of *Ex parte Young*, 209 U.S. 123 (1908), so long as the official has "some connection with the enforcement of the act" (*id*. at 157) that allegedly violates the plaintiff's rights. In *Utah Republican Party v. Herbert*, 2015 U.S. Dist. LEXIS 143915 (D. Utah, October 22, 2015), the District of Utah held that the

Governor and the Lieutenant Governor of Utah could be sued in connection with the Utah Republican Party's trademark infringement action against the enforcement of a Utah law alleging that the law's authorization of candidates' appearance on the Republican Party ballot if they collected the requisite number of party member signatures, rather than exclusively by means of party caucuses or conventions, violated the Party's "rights to control and direct the use of its name, title, emblems, and endorsements . . ."

## C. OTHER LIMITATIONS ON TRADEMARK PROTECTION: EXPRESSIVE USE OF TRADEMARKS

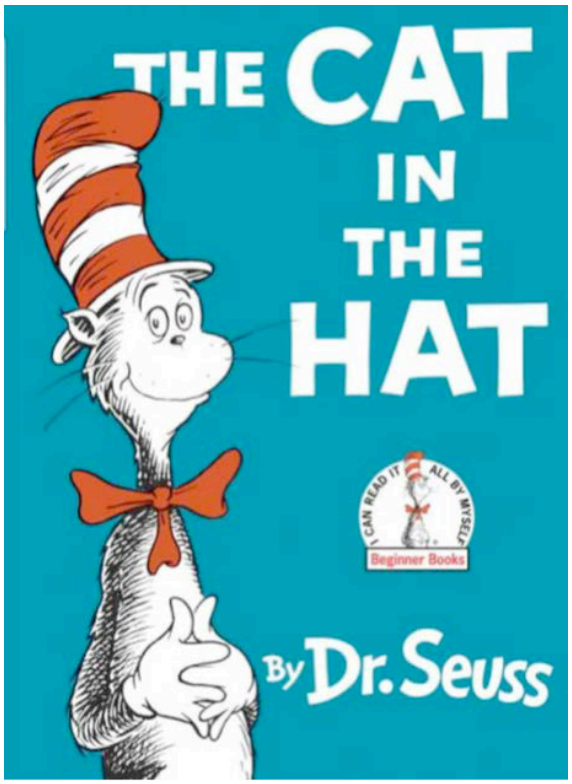
### 1. Re-Weighing Likelihood of Confusion

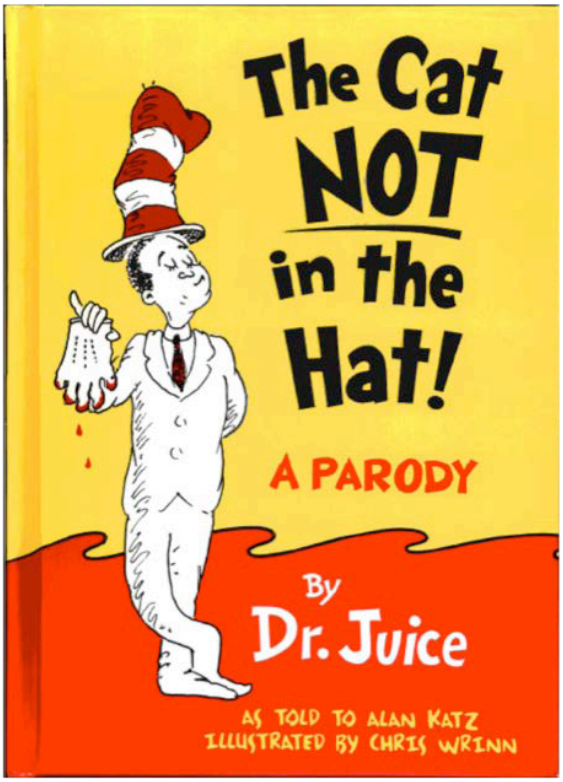
**Page 637. Renumber Question 3 as 4 and insert new Question 3:**

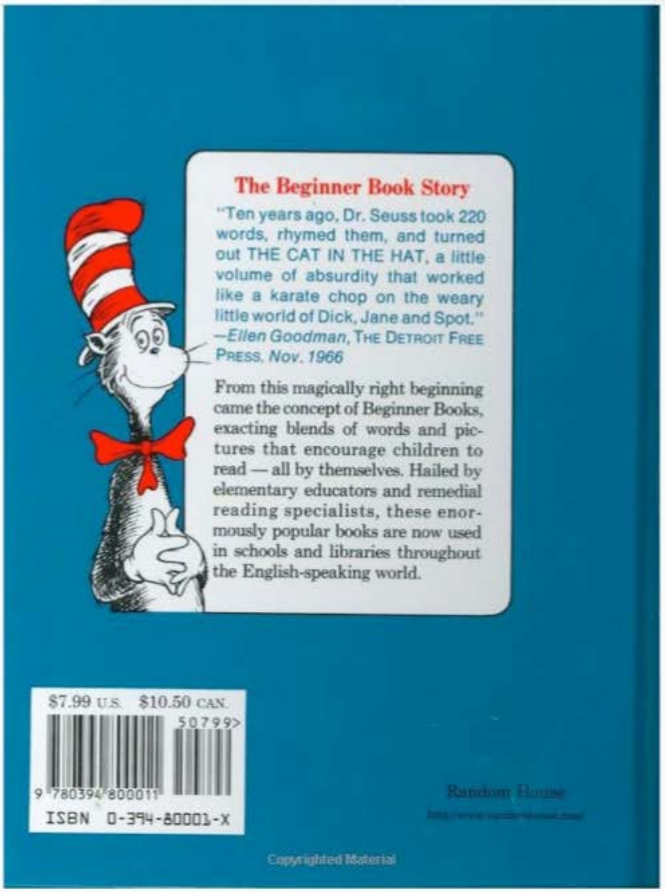
**3.** Does the First Amendment provide a defense to right of publicity claims? In *Davis v. Electronic Arts, Inc.*, 775 F.3d 1172 (9th Cir. 2015), a controversy involving a videogame's use of the likenesses of former NFL football players, the Ninth Circuit reaffirmed its position in *Keller v. Elec. Arts. Inc.*, 724 F.3d 1268 (9th Cir. 2013), to hold the *Rogers* test, and its incorporation of first amendment protections, inapplicable to right of publicity claims. By contrast, in *Brown v Electronic Arts, Inc.*, 2009 U.S. Dist. LEXIS 131387 (C.D. Cal 2009), the same videogame producer's use of the likeness of former NCAA and NFL star Jim Brown, drew the latter's claim of false endorsement under Lanham Act section 43(a). The court dismissed the action, applying the *Rogers* test to hold that EA's use of Brown's likeness did not constitute an explicit attempt to signify that Brown endorsed the games, and that "where important First Amendment interests are implicated, there lies no remedy under Section 43(a) of the Lanham Act." When the same expressive use gives rise to both 43(a) and right of publicity claims, does it make sense to reach opposing outcomes? See also *Rosa and Raymond Parks Institute for Self Development v. Target Corp.*, 812 F.3d 824 (11th Cir. 2016) (Michigan's qualified privilege protecting matters of public interest overrides right of publicity claims against unlicensed use of Rosa Parks' name in books, a film, and a plaque, all concerning the civil rights movement, sold by Target).

## 2. Parody

**Page 646.** ***Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*** **Substitute the following images for pictures in the main casebook:**





The Beginner Book Story

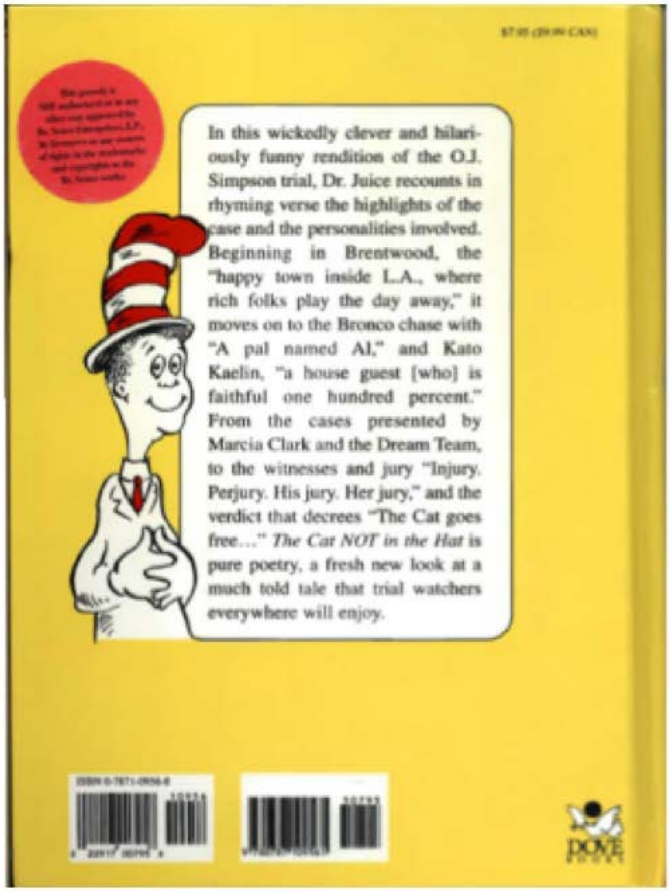
"Ten years ago, Dr. Seuss took 220 words, rhymed them, and turned out THE CAT IN THE HAT, a little volume of absurdity that worked like a karate chop on the weary little world of Dick, Jane and Spot."
—*Ellen Goodman*, THE DETROIT FREE PRESS, *Nov. 1966*

From this magically right beginning came the concept of Beginner Books, exacting blends of words and pictures that encourage children to read — all by themselves. Hailed by elementary educators and remedial reading specialists, these enormously popular books are now used in schools and libraries throughout the English-speaking world.

$7.99 U.S. $10.50 CAN.
50799>
9 780394 800011
ISBN 0-394-80001-X

Random House

Copyrighted Material



In this wickedly clever and hilariously funny rendition of the O.J. Simpson trial, Dr. Juice recounts in rhyming verse the highlights of the case and the personalities involved. Beginning in Brentwood, the "happy town inside L.A., where rich folks play the day away," it moves on to the Bronco chase with "A pal named Al," and Kato Kaelin, "a house guest [who] is faithful one hundred percent." From the cases presented by Marcia Clark and the Dream Team, to the witnesses and jury "Injury. Perjury. His jury. Her jury," and the verdict that decrees "The Cat goes free…" *The Cat NOT in the Hat* is pure poetry, a fresh new look at a much told tale that trial watchers everywhere will enjoy.

DOVE

### 3. Trademarks as Speech

**Page 663. Insert after *Protectmarriage.com v. Courage Campaign*:**

**Dardenne v. MoveOn**, 110 U.S.P.Q. 2d 2048 (M.D. La 2014). In 2011, the State of Louisiana registered with the Secretary of State the following logo to promote the state as a tourist destination:

LOU!SIANA

*Pick your Passion*®

Defendant MoveOn, a progressive organization devoted to social change through democratic action, erected the following billboard in Baton Rouge, the State capitol:


*[Lou!siana*
*Pick your passion! But hope you*
*don't love your health. Gov. Jindal's*
*denying Medicaid to 242,000 people]*

The Lieutenant Governor's office (as the Chief of Louisiana's tourism industry) sought to remove the billboard on the ground that it infringed the State's trademark. The court denied the Lt. Governor's motion for a preliminary injunction.

> [At the] outset, the Court notes that the people of Louisiana have an interest in protecting the propriety of their service mark; but, is that interest so compelling as to require that MoveOn.org be prohibited from using it as a parody to criticize the State's healthcare policies?
>
> . . .
>
> MoveOn.org argues that it is employing parody by poking fun at the State's logo and slogan in order to criticize the State. According to MoveOn.org, its "intent was to communicate... the message that, whereas the Louisiana tourism campaign is promoting the State as a desirable place to visit, the State might be considered an undesirable place to visit because of its [health care policies]".

> It is clear to the Court that MoveOn.org did not use Louisiana's service mark for the purpose of gaining attention to products and services associated with mark, but as a parody for the purpose of expressing an idea, opinion, or criticism. However, parody does not provide an absolute cloak of protection from a claim of trademark infringement claim. Parody notwithstanding, if reader confusion is likely, an action for trademark infringement lies.
>
> The State argues that viewers of the billboard will be confused into thinking that the Lieutenant Governor, as the alleged owner of the service mark, is being critical of the Governor. In this Court's view, the Lieutenant Governor underestimates the intelligence and reasonableness of people viewing the billboard.
>
> The State's argument that viewers of the billboard may be confused into believing that the Lieutenant Governor is criticizing the Governor is strained. . . . Essentially, the State argues that the target of MoveOn.org's parody (Governor Jindal) is not the holder or owner of the mark (the State). The question is whether the disconnect between the owner of the mark and the target of the parody creates viewer confusion. In other words, is a motorist viewing the billboard likely to conclude that the State of Louisiana is criticizing Governor Jindal. The Court thinks not.

**Radiance Foundation v. NAACP,** 786 F.3d 316 (4th Cir. 2015). The Radiance Foundation published an article online titled "NAACP: National Association for the Abortion of Colored People" criticizing the NAACP's stance on abortion. In response to a cease-and-desist letter from the NAACP, Radiance sought a declaratory judgment that it had not infringed any NAACP trademarks. The NAACP then filed counterclaims alleging trademark infringement and dilution. The district court held for the NAACP and entered a permanent injunction. The Fourth Circuit reversed.

> [T]rademark infringement is not designed to protect mark holders from consumer confusion about their positions on political or social issues. The evidence of "actual confusion" relied on by the district court consisted of phone calls to the NAACP by people who took issue with the NAACP supporting abortion. *Radiance Found.*, 25 F. Supp. 3d at 888-89 . "[I]ndignation is not confusion," *Girl Scouts of U.S. v. Personality Posters, Mfg. Co.*, 304 F. Supp. 1228 , 1231 (S.D.N.Y. 1969) [concerning poster reproducing Girl Scouts' slogan "Be Prepared" under a photograph depicting a pregnant teenager], at least not as pertains to trademark infringement, and at best the calls demonstrated confusion as to the NAACP's policy positions rather

than any good or service. Policy stances are neither goods nor services, though the means of conveying them may be.

Political discourse is the grist of the mill in the marketplace of ideas. It may be that the only -- but also the best -- remedy available to a trademark holder is to engage in responsive speech. . . . The NAACP is a renowned civil rights organization with numerous mechanisms for connecting with its membership and the public. Organizations of its size and stature possess megaphones all their own. "Actual confusion" as to a non-profit's mission, tenets, and beliefs is commonplace, but that does not transform the Lanham Act into an instrument for chilling or silencing the speech of those who disagree with or misunderstand a mark holder's positions or views. *See Rogers v. Grimaldi*, 875 F.2d 994, 1001 (2d Cir. 1989).

. . .

It remains essential in any analysis of confusion to consider fully the purpose with which the mark was being used. The trial court did entertain the possibility of parody, but once it found that Radiance had not engaged in a successful parody, it ended its inquiry there. *Radiance Found.*, 25 F. Supp. 3d at 891-93 . If not quite parody, the use of "National Association for the Abortion of Colored People" in this context may be more akin to satire, which "works by distort[ing] . . . the familiar with the pretense of reality in order to convey an underlying critical message." [Citation] . . .

It is important moreover to pay sufficient attention to the full context in which the mark was used, which diminishes the likelihood of confusion about source even further. The domain names and webpage headings clearly denote other organizations: The Radiance Foundation or TooManyAborted. For each site, this post was one of dozens of articles on social and political issues.

. . .

We have identified individual difficulties with appellee's position, but it is well to understand the matter in its totality. The trial court found that using marks in a highly critical article that lambasts the NAACP for its views and actions constituted trademark infringement because the site solicits financial support for its activities, albeit attenuated from the use of the mark, and some consumers may be confused about the NAACP's true name and political positions. We need not go so far as to say that social commentary solicitations can never be the subject of a valid infringement claim in order to conclude that it will not be infringing so long as the use of the mark does not create confusion as to source, sponsorship, or affiliation. Any other holding would severely restrict all kinds of speakers from criticizing all manner of corporate positions

and activities and propel the Lanham Act into treacherous constitutional terrain.

**Gerlich v. Leath**, 2016 U.S. Dist. LEXIS 9899 (S.D. Iowa, Jan. 22, 2016). Iowa State University's trademark licensing program allows student groups to use the university's name and insignia in connection with t-shirts and other student group allegiance goods. ISU NORML, a group advocating legalization of marijuana, is one of 800 ISU student groups subject to the university's Trademark Policy and Student Use Guidelines. Following ISU NORML's distribution of a t-shirt showing a cannabis leaf and incorporating the ISU mascot, Cy the Cardinal, the University came under political pressure to revise its Guidelines to prohibit licenses for student group designs that promote the use of drugs or alcohol. With the new Guidelines in place, the ISU Trademark Office denied ISU NORML's requests to use Cy on t-shirts that also displayed a marijuana leaf (the leaf design is part of the nationwide NORML's insignia). Student members of the ISU Chapter sought an injunction against the application of the new Guidelines on the ground that they constituted impermissible viewpoint discrimination. The University contended that its trademark licensing policies were "immune from First Amendment scrutiny under the government speech doctrine." The court rejected that defense:

b. Whether Defendants' Conduct was Government Speech

. . . Under the government speech doctrine, the government may constitutionally discriminate among political viewpoints when expressing its own policies, directives, and preferred views. [Citation.] The government is afforded this immunity from First Amendment criticism because "'it is not easy to imagine how government could function if it lacked th[e] freedom' to select the messages it wishes to convey." [Citation.]

In *Walker* [*v. Tex. Div., Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239 (2015)], the Supreme Court determined that specialty license plates issued by the State of Texas were government speech, and that the State's denial of a Confederate Flag plate was therefore not subject to First Amendment scrutiny. [Citation.] In so holding, the *Walker* Court cited its prior decision in *Pleasant Grove City v. Summum*, 555 U.S. at 470-73, where the Court concluded that permanent monuments privately donated for display in the city park constituted government speech, and therefore the government did not violate the First Amendment by selectively accepting those monuments. Applying the government speech test set forth in *Summum*, the *Walker* Court concluded that because (1) the States have historically used license plates to communicate with the public, (2) license plates are often closely identified in the public mind with the State, and (3) Texas effectively controlled the expressive content of the license plates by

exercising final approval authority over submitted designs, Texas' specialty plates "are similar enough to the monuments in *Summum* to call for the same result." [Citation.] *Walker* acknowledged that its holding applied only in limited circumstances, however, noting the unusually close connection between license plates and State directives. [Citation.] *Walker* held that license plates are government speech because they are government articles serving governmental purposes of vehicle registration and identification, are required by law for every Texas vehicle owner, are issued by the State, and are, "essentially, government IDs." [Citation.]

Defendants have not cited to any cases applying the government speech doctrine in the context of a university licensing program, nor have they cited any cases discussing government speech by a college or university. To the contrary, a number of other significant First Amendment cases instruct that speech by collegiate student organizations facilitated by a state university is not government speech. [Citations.]

Nonetheless, Defendants argue the *Walker* factors are satisfied here. First, Defendants assert that ISU speaks to the public with its trademarks in that it uses the trademarks to promote the ISU brand, which it uses to attract prospective students, garner public and private funding, and recruit employees. To support their contention that trademarks are fundamentally expressive tools for their owners, Defendants cite a number of trademark cases . . . Second, Defendants argue that observers believe ISU licenses its marks to convey its preferred views, contending that [local politicians'] backlash to the [t-shirt] evinces public attribution of NORML ISU's advocacy to ISU itself. Finally, Defendants argue that the last criterion of the Walker test is satisfied because ISU has effectively controlled its trademark licensing program by its exercise of final approval authority.

After fully considering Defendants' arguments, the Court cannot conclude that ISU's trademark regime, used with permission by hundreds of varied student groups, qualifies for the unique and narrow status of the public monuments at issue in *Summum* or the license plates in *Walker*. Notably, the record is replete with statements by Defendants that they did not intend to communicate any message to the public by licensing ISU trademarks to student groups. [Citations.] Far from using its student group licensing program to communicate with the public, ISU remains staunchly neutral as to the professed views of its student groups, and exercises its power to deny licenses only when certain minimum standards of acceptability are not met (e.g., use of the marks on toilet paper and diapers). The Trademark Office's history of design approvals further demonstrates ISU does not license its

trademarks to student groups to announce its political views, because the office has approved designs for an inchoate set of interest groups that are in one instance pro-life, then pro-BDSM, then pro-LGBTA, pro-Democrat, and pro-Republican. [Citation.] The Trademark Office's past practice thus makes clear that ISU does not grant licenses to political groups as a means of endorsing or expressing a particular view.

To be sure, and as the cited trademark cases suggest, trademarks are frequently used to associate a product or image with the mark's owner. Unremarkably, ISU's images are associated in the public mind with ISU as an institution, which is why [the students] wanted to include ISU marks on her group's apparel. [Citation.] Yet to determine whether, in this case, the grant of a trademark license to a student group is intended as government speech, or whether the public would understand a student group's use of an ISU trademark as government speech, the Court must view ISU's trademark licensing program against the backdrop of America's educational culture and traditions. . . . In line with the university's traditional station in American society, when ISU licenses its trademarks to a multitude of student groups, the trademarks do not suggest ISU endorses any particular group's political views; rather, the use of the marks by a diverse and often intellectually opposed set of groups reflects the University's rightful commitment to fostering diverse forms of civic engagement and intellectual exploration and debate. Defendants' argument that ISU's licensed marks express the views of ISU itself runs counter to these traditions. Nonetheless, Defendants argue that as a matter of fact, the public did associate NORML ISU's t-shirt design with the government, pointing to responses from certain public officials and the few responses received from the general public. On this record, the Court cannot agree that the public believed ISU promoted marijuana law reform, because the record shows almost no reaction to the Article from the general public.

[The court found that the University did exercise control over the licensing program, but that the third *Walker* factor was not determinative.]

**Page 663-4. Renumber Questions 1, 2, and 3 as 2, 3, and 4, and insert new Question 1:**

**1.** Recall *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015) (en banc), and *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439 (E.D. Va. 2015), *supra* Chapter 4. Both cases addressed the argument that 2(a)'s exclusion of disparaging matter implemented a government speech policy and therefore was immune from first

amendment scrutiny. The full Federal Circuit rejected that contention, while the E.D. Va. accepted it.

The E.D. Va. held trademark registration government speech under the *Walker* criteria:

> The first *Walker* factor weighs in favor of government speech as registry with the federal trademark registration program communicates the message that the federal government has approved the trademark. The second *Walker* factor weighs in favor of government speech because the public closely associates federal trademark registration with the federal government as the insignia for federal trademark registration, ®, is a manifestation of the federal government's recognition of the mark.
>
> Finally, the third *Walker* factor weighs in favor of government speech because the federal government exercises editorial control over the federal trademark registration program.

By contrast, and like the *Gerlich* court's assessment of Iowa State's practices regarding student groups' use of university insignia, the Federal Circuit discerned no message of the government's own.

> The government's argument in this case that trademark registration amounts to government speech is at odds with the Supreme Court's analysis in *Walker* and unmoored from the very concept of government speech. When the government registers a trademark, the only message it conveys is that a mark is registered. The vast array of private trademarks are not created by the government, owned or monopolized by the government, sized and formatted by the government, immediately understood as performing any government function (like unique, visible vehicle identification), aligned with the government, or (putting aside any specific government-secured trademarks) used as a platform for government speech. There is simply no meaningful basis for finding that consumers associate registered private trademarks with the government.
>
> Indeed, the PTO routinely registers marks that no one can say the government endorses. [Citations.]. As the government itself explains, "the USPTO does not endorse any particular product, service, mark, or registrant" when it registers a mark. Appellee's En Banc Br. 44. For decades, the government has maintained that:
>
>> [J]ust as the issuance of a trademark registration by this Office does not amount to government endorsement of the

> quality of the goods to which the mark is applied, the act of registration is not a government imprimatur or pronouncement that the mark is a "good" one in an aesthetic, or any analogous, sense.

*In re Old Glory Condom Corp*., 26 U.S.P.Q.2d 1216, 1219-20 n.3 (T.T.A.B. Mar. 3, 1993).

How discernible must the government's "message" be for the government speech doctrine to apply to a government entity's trademark licensing policies? Would it have made a difference if Iowa State University had sought to communicate a message through its trademark licensing program?

# Chapter 9

# DILUTION

## A. THE CONCEPT OF DILUTION

**Page 677. Add new Question 4. After *Ty v. Perryman*:**

**4.** Recall Judge Posner's evocation of Tiffany to illustrate the concepts of blurring and tarnishment. In *Hugunin v. Land O' Lakes, Inc.*, 815 F.3d 1064 (7th Cir. 2016), in which the large dairy company claimed that a very small identically-named fishing tackle company was blurring its famous mark, in use since the 1920s, Judge Posner distinguished his earlier example:

> Everyone recognizes "Tiffany" as the name of a luxury jewelry store on Fifth Avenue in New York (with stores in other major cities), and seeing the name on a hotdog stand a passerby might think of the jewelry store and of the incongruity of a hot-dog stand's having the same name; he might think the jewelry store's cachet impaired by the coincidence and switch his patronage to Cartier or Harry Winston. Many consumers would recognize the name "LAND O LAKES" as referring to the dairy company, but we can't see how the company could be hurt by the use of the same name by a seller just of fishing tackle. The products of the two companies are too different, and the sale of fishing tackle is not so humble a business as the sale of hot dogs by street vendors. And so it is beyond unlikely that someone dissatisfied with LAND O LAKES fishing tackle would take revenge on the dairy company by not buying any of its products, or that a customer would have difficulty identifying Land O' Lakes' dairy products because he had seen the LAND O LAKES mark used on Hugunin's fishing tackle. Land O' Lakes products are advertised on their labels as dairy or other food products (such as instant cappuccino mixes), never as products relating to fishing.
>
> And the dairy company's mark is itself derivative from Minnesota's catchphrase "Land of 10,000 Lakes," see Wikipedia, "Minnesota," https://en.wikipedia.org/wiki/Minnesota (visited February 29, 2016), a phrase in such widespread use that the company could not insist that it was the sole lawful user of the phrase in advertising for all products.
>
> The disparity in size between the contenders deserves emphasis. In 2012, the last year for which we have statistics, Land O' Lakes' sales of dairy foods exceeded $4 billion, while Hugunin's sales

> were less than $30,000. It's hard to believe that a giant dairy company wants to destroy or annex Hugunin's tiny fishing-tackle business, or that Hugunin's tackle sales are being kept down by Land O' Lakes' having an identical trademark.

Are the differences between hot dog stands and fishing tackle companies persuasive? What, if anything, would justify different outcomes between the hypothetical hotdog stand and Hugunin's fishing tackle enterprise? Does this inquiry help ascertain the meaning of "dilution"?

## B. FEDERAL DILUTION

### 1. Federal Statute

**Page 692. Insert before Problem:**

**New York Yankees Partnership v. IET Products and Services, Inc.**, 114 U.S.P.Q. 2d 1497 (T.T.A.B. 2015). The New York Yankees baseball club has long employed the logo pictured below on a variety of merchandising items, including apparel.


IET Products, Inc., intends to use the logo pictured below on t-shirts, jackets and baseball caps. It has applied for trademark registration of the logo. The Yankees organization opposed the registration on grounds, inter alia, of dilution.

IET claimed that its logo was a fair use parody and was therefore *de jure* non dilutive, an assertion the Board found inconsistent with the text of Section 43(c):

> Applicant's argument ignores the language of Section 43(c)(3)(A) . . ., which limits the "fair use" exclusion as defined in the statute to use of a famous mark "other than as a designation of source for the person's own goods or services" (Section 43(c)(3)(A)). "Noncommercial" use also is excluded. (Section 43(c)(3)(C)). To obtain federal registration, an applicant's use of the applied-for matter must be as a designation of source – i.e., as a mark – and commercial – i.e., used in commerce. See Trademark Act Sections 1, 2, 17, 18, and 45, 15 U.S.C. §§ 1051, 1052, 1067, 1068, and 1127. This proceeding is before the Board because Applicant is not seeking merely to make ornamental, expressive, or noncommercial use of its marks, but because Applicant has applied to register its trademarks as designations of the source of Applicant's own T-shirts, baseball caps, hats, jackets, sweatshirts, and mugs. The fair use exclusion is typically inapplicable when registration is sought, and it does not apply here.

Would IET's fair use defense have fared better had IET not sought to register the steroids parody logo, but instead simply sold clothing bearing the logo? See *infra* this Chapter, Section B.4. What if IET used the logo as a trademark, but did not seek to register it? See *infra* this Chapter, Section B.2.b.

## 2. Word Marks

### a. Blurring

**Page 699. Insert before NOTE: SURVEYING DILUTION BY "BLURRING"**

**Pinterest, Inc. v. Pintrips, Inc.**, 140 F. Supp. 3d 997 (N.D. Cal. 2015). (The case is described, *supra*, Chapter 8.A.2.b.) The court determined Pinterest was not a famous mark at the time Pintrips began using its mark in commerce in October 2011, or offering its services to the public in November 2012:

> Pinterest has provided no persuasive evidence that any of its marks were famous by October of 2011. Virtually all of the news articles offered by Pinterest were published after that date, and are thus irrelevant. Pinterest had approximately 1 million monthly users by August of 2011 (less than half a percent of the United States population), and, according to a Pinterest demonstrative summarizing data included in a Pinterest report, just less than 5 million monthly users by November 2011 (just under two percent of the United States population). Neither figure comes close to suggesting that Pinterest had attained the level of prominence necessary for a brand to become part of the collective national consciousness. In fact, the Pinterest website was still operating as a closed, invitation-only website just several months before. . . . In addition, the "Pinterest" mark was not even registered until May of 2012. No reasonable weighing of these facts could satisfy the first element of the dilution analysis.
>
> Moreover, Pinterest's dilution claim would fail on the same ground even were the Court to adopt Pinterest's proposed November 2012 date. Pinterest presented four types of evidence in support of its position: (1) contemporaneous news articles discussing Pinterest; (2) the volume of traffic on its website; (3) a survey conducted by a consulting service in July of 2012; and (4) the registration of its "Pinterest" mark. The Court will address each category in turn.
>
> First, Pinterest presented approximately a dozen news articles published before November of 2012 that discuss Pinterest and its rapid growth. These articles were published by prominent newspapers and media outlets, including *The New York Times, The Wall Street Journal*, *The Los Angeles Times*, and *Fortune.* Of course, receiving publicity from the national media raises the awareness of a brand. However, it is clear from the content of these articles that Pinterest had not yet achieved the level of prominence necessary for a finding of fame at the time of publication. For example, many of the articles begin with a description of what Pinterest is and what it does,

which would be unnecessary (or even baffling) for famous brands like Coca-Cola or Barbie. *See, e.g.*, TX160 (CNET article beginning with the sentence "Pinterest, an invitation-only site that describes itself as a pinboard to organize and share things you love, is growing at a phenomenal pace."); TX173 (*Wall Street Journal* article which begins by describing Pinterest as "the online scrapbooking website that has become a Silicon Valley darling because of its rapid user growth"). Other articles commented on how, until extremely recently, even local technology media barely knew of Pinterest's existence. *See* TX168 (CNN article observing that "[t]he web-based 'pinboard,' which launched almost two years ago, barely got a mention on Silicon Valley news sites until six months ago, when early adopters suddenly realized that a site with millions of monthly users had sprung up almost unnoticed by the tech press").

In short, these articles demonstrate that Pinterest had enjoyed rapid (and even unprecedented) growth in its user base in a very short period of time, which made the relatively new company a newsworthy subject for a number of publications. These articles also demonstrate that the articles' authors were not sure that their readership would know what Pinterest was without immediate explanation. A dozen (or even a few dozen) articles commenting on the newsworthy growth of a website does not suggest that the website has attained the level of fame necessary to prevail on a dilution claim. [Citation.] In fact, the tenor of the articles submitted strongly suggests the opposite.

Second, Pinterest presented evidence that its website drew 25 million monthly active users by October of 2012, which is about 8% of the U.S. population. However, the number of monthly users drawn by Pinterest in late 2012 is only a fraction of the number drawn by Yelp, the website at issue in the only case Pinterest cites in which a court referred to the number of monthly users as supporting a finding of fame. *See Yelp Inc. v. Catron*, 70 F. Supp. 3d 1082, 1096 (N.D. Cal. 2014) ("The reach of publicity of the Yelp Marks is extensive, as the Yelp Site averaged *102 million monthly unique visitors* between January and March 2013.") (emphasis added).

Third, Pinterest introduced a survey conducted in July of 2012, which found that 75% of the survey respondents recognized the name Pinterest. However, Pinterest did not call a witness with personal knowledge of how the survey was conducted or from where its pool of survey respondents was drawn. Accordingly, no testimony at trial established that the pool of survey respondents was drawn from the general public as opposed to a sub-group of individuals predisposed to be familiar with Pinterest. . . . In fact, there is a high likelihood that

the survey pool was not drawn from the general public, given that it was comprised of a disproportionate percentage of female vs. male respondents: out of 837 interviews, 70% of respondents were female and 30% male. In addition, all respondents to the survey reported spending at least 90 minutes online in an average day for personal purposes alone, not including any time spent on work matters. *Id.* In short, Pinterest has not established that the July 2012 survey was conducted with a pool of respondents drawn from the general public, and, accordingly, the Court cannot consider its findings as evidence that the general public was familiar with Pinterest's marks.

Fourth, the Court agrees with Pinterest that the fact that its Pinterest mark was registered before November 2012—albeit only six months before—weighs slightly in favor of a finding of fame. . . .

When these facts are weighed together, it is clear that Pinterest had not attained the status of a household name by November of 2012. The facts presented at trial suggest that Pinterest was a relatively new company that had received favorable media attention in response to its early growth. However, the number of Pinterest's monthly users in November of 2012 is dwarfed by the number of monthly users of Yelp, the company at issue in the only case cited by Pinterest on this point. That a sizeable (but still relatively small) sliver of the United States population used Pinterest in November of 2012 does not, without more, suggest that non-users would be familiar with its services. [Citation] Pinterest simply has not demonstrated the extraordinarily high level of public awareness that a mark must reach in order to qualify as famous under the FTDA. . . . Accordingly, even if November 2012 were the appropriate date by which to measure fame, Pinterest's dilution claim still would fail.

**QUESTIONS**

**1.** Recall the considerations relevant to determining secondary meaning, *supra*, Chapter 2.B.2; main casebook pp. 103-115. How differently do such considerations weigh in assessing fame for purposes of dilution?

**2.** Why is 8% of the U.S. population insufficient to establish fame? Should the court have inquired what proportion of the internet-using population 25 million persons represented? Is there a difference?

**Page 708. Delete *Rolex Watch U.S.A., Inc. v. AFP Imaging Corporation*,** 101 U.S.P.Q.2d 1188 (T.T.A.B. 2011) – the T.T.A.B. vacated its opinion since the appeal was dismissed as moot – 107 USPQ 2d 1519 (T.T.A.B. 2013).

**Replace with the following pair of T.T.A.B. decisions:**

**Inter IKEA Systems B.V. v. Akea, LLC**, 110 U.S.P.Q.2d 1734 (T.T.A.B. 2014). The home furnishings company IKEA opposed the intent-to-use application filed in 2009 by Akea LLC for the mark "AKEA" for dietary supplements. Analyzing likelihood of confusion, the Board found that the IKEA mark was

> famous for 'retail store services in the field of furniture, housewares and home furnishing' and the marks IKEA and AKEA are similar, because of the differences in the goods and services and channels of trade and the degree of care that will be exercised by applicant's prospective purchasers, we find that applicant's mark for the goods in Class 5 and services in Class 44 are not likely to cause confusion with opposer's IKEA mark for opposer's goods and services.

Turning to dilution:

> Even assuming that opposer's mark is famous for purposes of dilution, the record does not support our finding that opposer's mark became famous prior to the filing date of applicant's application. Opposer's evidence . . . is not sufficient to show that opposer's mark is famous for purposes of dilution because most of the evidence points to events that occurred after the filing date of applicant's application. For example, opposer's evidence that the IKEA brand was ranked No. 28 on the Business Week/Interbrand 2012 list of the Top 100 Brands worldwide, with an estimated brand value of $ 12,808,000,000 is subsequent to the filing date of applicant's application and, therefore, is not relevant.

**Chanel, Inc. v. Makarczyk**, 110 U.S.P.Q.2d 2013 (T.T.A.B. 2014). Jerzy Makarczyk filed a use-based application to register the mark CHANEL in standard character format for "real estate development and construction of commercial, residential and hotel property," alleging first use in 2008. Chanel, Inc. opposed on several grounds, including dilution by blurring. The parties stipulated to the following facts:

> (1) "Applicant does not claim rights in or use of CHANEL in connection with any goods or services including real estate development and construction of commercial, residential and hotel property in the U.S. prior to May 15, 2008";
>
> (2) "Opposer used and registered CHANEL for retail store services, clothing, jewelry, fragrances and beauty items prior to May 15, 2008";

> (3) "The opposed mark CHANEL is identical to [o]pposer's trade name CHANEL";
>
> (4) "The opposed mark CHANEL is identical to [o]pposer's federally registered trademark CHANEL";
>
> (5) "Other than the CHANEL mark opposed herein, [a]pplicant does not own any other trademark applications or trademark registrations in the United States that includes [sic] in whole or in part CHANEL";
>
> (6) "Applicant uses in connection with his real estate development and construction of commercial, residential and hotel property services not only the CHANEL mark but also the marks HERMES and PLAYBOY among others";
>
> (7) "Opposer has never given [a]pplicant any consent or permission or otherwise authorized [a]pplicant to use or register the CHANEL mark in connection with any goods or services"; and
>
> (8) "There is no connection or affiliation between [o]pposer and either [a]pplicant or [a]pplicant's goods or services."

Citing Chanel's many U.S. registrations since 1933, its extensive sales and advertising, and multiple examples of the mark's and attendant goods' pervasiveness in popular culture, the Board ruled that Chanel had met its burden of proving acquisition of the requisite fame prior to applicant's use. Among the evidence the Board found probative of Chanel's fame:

> Generations of prominent celebrities have either endorsed or appeared in advertisements for CHANEL-branded merchandise, including Catherine Deneuve, Marilyn Monroe, Nicole Kidman, Keira Knightley, Christy Turlington, Kate Moss and Brad Pitt. In addition to these formal celebrity endorsements and paid advertisements, prominent celebrities and fashion icons such as Beyonce, Penelope Cruz, and Sarah Jessica Parker are frequently photographed either carrying CHANEL-branded handbags or wearing CHANEL fashions. Such photographs frequently appear in publications in which opposer does not advertise (for example, in tabloid magazines), thereby broadening the exposure of opposer's CHANEL mark. Opposer also garnered unsolicited publicity in newspaper and magazine articles.

Applying the statutory factors, the Board found the first four easily favored the Opposer, and that no evidence was presented regarding the sixth. Regarding the fifth, the Board stated:

5. Whether the user of the mark or trade name intended to create an association with the famous mark

Opposer has presented evidence demonstrating that applicant intended to create an association with opposer's famous CHANEL mark, despite the fact that opposer never licensed applicant to use the mark (either orally or in writing) and has never even conducted any business with applicant. According to publicly available evidence opposer obtained from applicant's websites, www.condomonde. com and www.condominiums.com, applicant markets luxury rental properties by naming units after luxury brands such as Chanel, Dior, Givenchy, and Versace. Applicant stated on his web site that opposer Chanel is among his former or current clients, referring to the Chanel boutiques as "the world's finest" along with other fashion houses such as Louis Vuitton, Prada and Gucci. Indeed, applicant, in promoting his services on his web site, has referred to the elevated status he purportedly enjoys from his relationship with Chanel. Opposer's corporate counsel testified however that opposer "has not done business with the applicant, nor have we licensed the CHANEL mark to him."

We therefore find that applicant is attempting to trade on the goodwill and fame generated by the CHANEL mark in order to promote and market his own services. As such, this dilution factor also favors opposer.

Finally, regarding likelihood of blurring:

The statute requires opposer to prove impairment of the distinctiveness of opposer's famous mark. [Citations]. Opposer stated that if applicant were to obtain a registration, "his use of our very mark will devalue the CHANEL brand and cause significant harm to Chanel by diluting the distinctiveness of Chanel's famous mark." We note that although opposer has no current involvement in the real estate or hotel industry, the record shows that many luxury brand companies have licensed use of their marks in connection with hotels. In other words, they have found opportunities to commercially exploit the distinctiveness of their marks in those industries. In addition, many other well-known luxury brands have either expanded into or licensed use of their brand names in fields outside of the fashion industry that are related to real estate. For example, Versace now offers interior design services, Fendi provides kitchen design services and Jason Wu markets designer-styled bathroom fixtures. We find these statements and surrounding circumstances of the industry sufficient to show that opposer is likely to suffer an impairment of the distinctiveness of its CHANEL mark.

In summary, we find that based on the record before us, opposer has demonstrated that applicant's CHANEL mark is likely to cause dilution by blurring of its CHANEL trademarks and service marks.

**Page 711. Replace Question with the following Questions:**

**QUESTIONS**

**1.** What, if any, is the difference between the Board's analysis of Chanel's showing of impairment by likelihood of blurring and an evaluation of the "bridging the gap" factor for showing a likelihood of confusion?

**2.** Prof. Barton Beebe has suggested that when dilution claims are pleaded together with infringement claims, a court will almost never find dilution if it has ruled that confusion is unlikely. Does it also follow that a successful dilution claim could have been brought as likelihood of confusion claim? To what extent do the above cases bear out either proposition?

**b. Tarnishment**

**Page 728. Insert following Editors' Note:**

The Second Circuit affirmed the District Court's rejection of a likelihood of dilution by blurring. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.* 736 F.3d 198 (2d Cir. 2013).

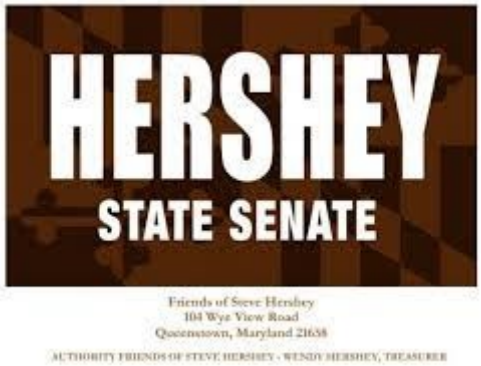
**QUESTION**

Your client sells t-shirts through his "SkygraphX" website. His latest offering is pictured below. Philip Morris has sent a cease and desist letter, threatening to bring an action for trademark dilution. What is your advice?


**Page 744. Add new Question following *Mastercard International v. Nader 2000 Primary Committee*:**

**QUESTION**

Steve Hershey's campaign for the Maryland state senate included signboards such as the one immediately below.




The Hershey Company objected, citing the similarity of Hershey's campaign signs to the trade dress of the Hershey chocolate bars. The similarity also drew the attention of several publications and members of the public noted. In response to the Hershey Co.'s motion for a preliminary injunction under Lanham Act sections 32 and 43(c), Steve Hershey asserted that his campaign materials were First Amendment-protected political speech. How should the court rule? See *Hershey Co. v. Friends of Steve Hershey*, 33 F. Supp. 3d 588 (D. Md. 2014).

**4. Use of a Famous Mark Other than as a Mark for Defendant's Goods or Services**

**Pages 746-49. Replace *Vuitton v. Hyundai* with the following case:**

**LOUIS VUITTON MALLETIER, S.A. V. MY OTHER BAG, INC.**
117 U.S.P.Q. 2d 1537 (S.D.N.Y. 2016)

JESSE M. FURMAN, UNITED STATES DISTRICT JUDGE

Defendant My Other Bag, Inc. ("MOB") sells simple canvas tote bags with the text "My Other Bag . . ." on one side and drawings meant to evoke iconic handbags by luxury designers, such as Louis Vuitton, Chanel, and Fendi, on the other. MOB's totes — indeed, its very name — are a play on the classic "my other car . . ." novelty bumper stickers, which can be seen on inexpensive, beat up cars across the country informing passersby — with tongue firmly in cheek — that the driver's "other car" is a Mercedes (or some other luxury car brand). The "my other car" bumper stickers are, of course, a joke — a riff, if you will, on wealth, luxury brands, and the social expectations of who would be driving luxury and non-luxury cars. MOB's totes are just as obviously a joke, and one does not necessarily need to be familiar with the "my other car" trope to get the joke or to get the fact that the totes are meant to be taken injest.

Louis Vuitton Malletier, S.A. ("Louis Vuitton"), the maker of Louis Vuitton bags, is perhaps unfamiliar with the "my other car" trope. Or maybe it just cannot take a joke. In either case, it brings claims against MOB with respect to MOB totes that are concededly meant to evoke iconic Louis Vuitton bags. More specifically, Louis Vuitton brings claims against MOB for trademark dilution . . . under the Lanham Act . . .. For the reasons that follow, MOB's motion for summary judgment is granted . . .

BACKGROUND

. . . Louis Vuitton is a world-renowned luxury fashion house known for its high-quality handbags and other luxury goods. Louis Vuitton bags often sell for thousands of dollars, and the company invests substantial sums in creating and maintaining a sense of exclusivity and luxury. As a result, several of Louis Vuitton's designs and trademarks are famous and well-recognized icons of wealth and expensive taste. . . . By all accounts, and as the discussion below will make clear, Louis Vuitton aggressively enforces its trademark rights.

MOB was founded by Tara Martin in 2011. As noted, the name "My Other Bag" was inspired by novelty bumper stickers, which can sometimes be seen on inexpensive cars claiming that the driver's "other car" is an expensive, luxury car, such as a Mercedes. MOB produces and sells canvas tote bags bearing caricatures of iconic designer handbags on one side and the text "My Other Bag . . ." on the other. Several of MOB's tote bags — one of which is depicted in the appendix to this Opinion (*see* Op. App., Figs. C-D) — display images concededly designed to evoke classic Louis Vuitton bags. As the appendix illustrates, the drawings use simplified colors, graphic lines, and patterns that resemble Louis Vuitton's famous Toile Monogram, Monogram Multicolore, and Damier designs, but replace the interlocking "LV" and "Louis Vuitton" with an interlocking "MOB" or "My Other Bag.". MOB markets its bags as "[e]co-friendly, sustainable tote bags playfully parodying the designer bags we love, but practical enough for everyday life." While Louis Vuitton sells its handbags for hundreds, if not thousands, of dollars apiece, MOB's totes sell at prices between thirty and fifty-five dollars. Its website and other marketing play up the idea that high-priced designer bags cannot be used to carry around, say, dirty gym clothes or messy groceries, while its casual canvas totes can.

*A. Trademark Dilution*

. . .

*1. Fair Use*

[T]he Court concludes as a matter of law that MOB's bags are protected as fair use — in particular, that its use of Louis Vuitton's marks constitutes "parody." As noted, a successful parody communicates to a consumer that "an entity

separate and distinct from the trademark owner is poking fun at a trademark or the policies of its owner." [Citation.] In other words, a parody clearly indicates to the ordinary observer "that the defendant is not connected in any way with the owner of the target trademark." That is precisely what MOB's bags communicate. Indeed, the whole point is to play on the well-known "my other car . . ." joke by playfully suggesting that the carrier's "*other* bag" — that is, *not* the bag that he or she is carrying — is a Louis Vuitton bag. That joke — combined with the stylized, almost cartoonish renderings of Louis Vuitton's bags depicted on the totes — builds significant distance between MOB's inexpensive workhorse totes and the expensive handbags they are meant to evoke, and invites an amusing comparison between MOB and the luxury status of Louis Vuitton. Further, the image of exclusivity and refinery that Louis Vuitton has so carefully cultivated is, at least in part, the brunt of the joke: Whereas a Louis Vuitton handbag is something wealthy women may handle with reverent care and display to communicate a certain status, MOB's canvas totes are utilitarian bags "intended to be stuffed with produce at the supermarket, sweaty clothes at the gym, or towels at the beach."

Louis Vuitton protests that, even if MOB's totes are a parody of *something*, they are not a parody of its handbags and, relatedly, that MOB's argument is a *post hoc* fabrication for purposes of this litigation. The company notes that MOB's Chief Executive Officer, Tara Martin, has referred to its bags as "iconic" and stated that she never intended to disparage Louis Vuitton. Thus, Louis Vuitton argues, the "My Other Bag . . ." joke mocks only MOB itself or, to the extent it has a broader target, "any humor is merely part of a larger social commentary, not a parody directed towards Louis Vuitton or its products." In support of those arguments, Louis Vuitton relies heavily on its victory in an unpublished 2012 opinion from this District: *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am*., No. 10-CV-1611 (PKC), 2012 U.S. Dist. LEXIS 42795, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012). In that case, Hyundai aired a thirty-second commercial titled "Luxury," which included "a four-second scene of an inner-city basketball game played on a lavish marble court with a gold hoop." The scene also included a basketball bearing marks meant to evoke the Louis Vuitton Toile Monogram. The Court rejected Hyundai's parody defense based in large part on deposition testimony from Hyundai representatives that conclusively established that the car company had no intention for the commercial to make any statement about Louis Vuitton *at all. See* 2012 U.S. Dist. LEXIS 42795, [WL] at *17-19 (excerpting deposition testimony establishing that Hyundai did not mean to "criticize" or "make fun of" Louis Vuitton, or even "compare the Hyundai with [Louis Vuitton]"). On the basis of that testimony, the Court concluded that Hyundai had "disclaimed any intention to parody, criticize or comment upon Louis Vuitton" and that the ad was only intended to make a "broader social comment" about "what it means for a product to be luxurious." [Citation.]

The *Hyundai* decision is not without its critics [citation], but, in any event, this case is easily distinguished on its facts. Here, unlike in *Hyundai*, it is self-evident that MOB did mean to say something about Louis Vuitton specifically. That is, Louis Vuitton's handbags are an integral part of the joke that gives MOB its name and

features prominently on every tote bag that MOB sells. In arguing otherwise, Louis Vuitton takes too narrow a view of what can qualify as a parody. The quip "My Other Bag . . . is a Louis Vuitton," printed on a workhorse canvas bag, derives its humor from a constellation of features — including the features of the canvas bag itself, society's larger obsession with status symbols, *and* the meticulously promoted image of expensive taste (or showy status) that Louis Vuitton handbags have, to many, come to symbolize. The fact that MOB's totes convey a message about more than *just* Louis Vuitton bags is not fatal to a successful parody defense. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 580 (1994) (holding that a copyright parodist must show that his parody, "*at least in part*, comments on [the parodied] author's work" (emphasis added)); [Citations.]

In those regards, another decision from this District, *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 415 (S.D.N.Y. 2002), is more on point. That case involved a line of parody perfume products for use on pets. In particular, the defendant had created a pet perfume called Tommy Holedigger, which resembled a Tommy Hilfiger fragrance in name, scent, and packaging. Hilfiger, like Louis Vuitton here, argued (albeit in connection with a claim of trademark infringement rather than dilution) that the defendant was not entitled to protection as a parody because "its product admittedly makes no comment about Hilfiger." In support of that argument, Hilfiger cited testimony from the defendant's general partner that his product was not intended to make any comment about Hilfiger or its products. Noting that the general partner had also testified that "he was intending to create a 'parody . . . target[ing] . . . Tommy Hilfiger,' 'a fun play on words,' or 'spoof . . . [t]o create enjoyment, a lighter side,'" Judge Mukasey rejected Hilfiger's argument as follows:

> Although [the general partner] had difficulty expressing the parodic content of his communicative message, courts have explained that:
>
> > Trademark parodies . . . do convey a message. The message may be simply that business and product images need not always be taken too seriously; a trademark parody reminds us that we are free to laugh at the images and associations linked with the mark. The message also may be a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner.
>
> *Id.* (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987)). He added, in a comment that applies equally well here: "One can readily see why high-end fashion brands would be ripe targets for such mockery." *Id.*

Alternatively, relying principally on *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979), Louis Vuitton argues that MOB's totes

cannot be a parody because they do not need to use Louis Vuitton's trademarks for the parody to make sense. Strictly speaking, that is true — to the extent that MOB could use any well-known luxury handbag brand to make its points. But, whereas the defendant in *Dallas Cowboys Cheerleaders*, a purveyor of a "gross and revolting sex film," [citation] did not have to use anyone else's trademark — let alone the plaintiff's specific trademark — to make its point (allegedly, "comment[ing] on 'sexuality in athletics,'" the same cannot be said here. MOB's tote bags would not make their point, and certainly would not be funny, if the obverse of the tote merely depicted some generic handbag. Such a tote would confusingly communicate only that "my other bag . . . is some other bag." In other words, Louis Vuitton's argument distorts any "necessity" requirement beyond recognition, and myopically suggests that, where a parody must evoke at least one of a finite set of marks in order to make its point, it can evoke none of them because reference to any *particular* mark in the set is not absolutely necessary. The Court declines to create such an illogical rule.

. . .

[The court's rejection of Vuitton's blurring claim is omitted]

APPENDIX

...

Fig. B. - Louis Vuitton SPEEDY® Toile Monogram


Fig. C. - My Other Bag's Zoey - Tonal Brown Tote (Front)

Fig. D. — My Other Bag's Zoey — Tonal Brown Tote (Back)

**Page 749. Delete Question 1 following *Hyundai,* and substitute the following; renumber current Question 2 as 4:**

**1.** Should it matter whether defendant's parody pokes fun at a trademarked product or rather at a social condition that the mark symbolizes (in addition to a single source of origin)? Is it possible to draw a distinction? For those who have studied Copyright law, how successful have federal courts been in applying a parody/satire distinction to guide the result in infringement cases?

**2.** Should it matter whether defendant's parody is communicated in a traditionally expressive medium, such as a motion picture (as in *Rogers*) or instead in an everyday item of merchandise (such as a tote bag)?

**3.** *Louis Vuitton Malletier, S.A. v. Hyundai*, referred to in *Louis Vuitton Malletier, S.A. v. My Other Bag*, involved a fleeting (4 seconds) copying of the LV logo on a basketball in a commercial for the Hyundai automobile; the court rejected a parody defense under the TDRA and under the First Amendment. Compare the decision in *Louis Vuitton Malletier, S.A. v. Warner Bros. Entertainment, Inc.*, *supra* Chapter 8[C], applying *Rogers v Grimaldi* and rejecting a claim of likelihood of confusion with respect to a similarly fleeting appearance of the LV logo. Is *Rogers* irrelevant to dilution cases? Is the use of the logo less artistically relevant in the Hyundai commercial than in the movie? Are viewers of the commercial more likely to be misled about who made or licensed the commercial than viewers of the movie? Or is the difference simply that movies may invoke the *Rogers* analysis and commercials may not? If that's the rule, does it make sense? How would such a rule apply to public service announcements, political campaign commercials, or political issue ads?

## C. Dilution Under State Law

**Page 751, second full paragraph, last line:** "43(c)(3)" should be "43(c)(6)"

# Chapter 10

# FALSE ADVERTISING

## A. COMMERCIAL ADVERTISING OR PROMOTION

**Page 761. Insert after *Fashion Boutique of Short Hills v. Fendi*, and before *Neuros v. KTurbo*:**

**Grubbs v. Sheakley Group, Inc.,** 807 F.3d 785 (6th Cir. 2015). Plaintiff and Defendant are in the financial planning, wealth management and tax preparation business. Before one of plaintiff's employees left to join defendant Sheakley Group, she sent the following notice to 22 clients of Tri-Serve, one of plaintiff's firms, where was then employed:

> We are moving! In order to better serve you, we are partnering with Sheakley HR and moving our offices. As many of you know, we have partnered with Sheakley over the years with regards to our workers compensation and unemployment management. We have been blessed to have experienced tremendous growth over the last 6 months. We find ourselves needing more office space and more resources to ensure that our customer service level continues to meet your expectations. By moving into Sheakley Group we will be able to provide you and your employees with additional resources, services, and benefits, while continuing to provide you with the service that you have grown accustomed to expect from TriServe. Nothing will change from your standpoint. We will have new contact information, but nothing else will change. You will begin to see the Sheakley HR name and we will be introducing new benefits and new services to assist you with growing your business. Our focus has always been and will continue to be assisting you, the small business owner, with Rediscovering Your Passion. We appreciate your business over the years and look forward to continuing a long, beneficial relationship with you and your employees. As always, if you have any questions or concerns please feel free to call me.

Plaintiff sued the former employee and the Sheakley Group, alleging among other things, that the email constituted false advertising under the Lanham Act. The district court dismissed the action, ruling that the email's dissemination was too limited to constitute "commercial advertising or promotion." The Sixth Circuit reversed:

> In some cases, it may be obvious whether statements were made in "advertising or promotion." Yet, as noted above,

communications need not necessarily resemble traditional television, radio, print, or Internet advertisements to fall within the purview of the Lanham Act. . . . Defendants facing false advertising claims, as here, may understandably seek to evade liability by arguing that contested statements did not constitute "commercial advertising or promotion" and are thus outside the ambit of the statute. . . .

Like the Second Circuit, we readily adopt the first and third requirements of the *Gordon & Breach* test: namely, that "commercial advertising or promotion" must consist of "'commercial speech' that is made for the purpose of influencing the purchasing decisions of the consuming public." . . .

We further agree with the Second Circuit that "the touchstone of whether a defendant's actions may be considered 'commercial advertising or promotion' under the Lanham Act is that the contested representations are part of an organized campaign to penetrate the relevant market." *Fashion Boutique,* 314 F.3d at 57. However, such campaigns, especially those aimed at previous customers, may not necessarily entail widespread, market-wide dissemination of any given message or false statement as junk mail, newspaper advertisements, and television commercials might; producers today employ data as never before to track our consumption habits, especially on the Internet, and send out personalized promotional material accordingly. We may see web advertisements based on our internet search history or use of social media sites like Facebook, or receive e-mails from airlines regarding sales on routes we regularly travel or flyers advertising "friends and family" sales for stores we patronize. Such targeted promotion reflects a belief by advertisers that discrete segments of a much larger existing or potential customer base may find specific messages most persuasive. In engaging in this sort of targeted promotion, advertisers may undertake an organized campaign to penetrate a market without any given message flooding that market. In other words, the most focused advertisements or promotions may not be widely disseminated at all.

We believe that the requirement of "widespread dissemination" or "market penetration" fails sufficiently to account for the types of sophisticated, tailored advertising in use today, and that the plain meaning of the terms "commercial advertising" or "commercial promotion" accommodates targeted communications to a substantial portion of a company's existing customer or client base. At the same time, we recognize the concern of other courts in rendering too much commercial speech actionable as false advertising. . . . We therefore define "commercial advertising or promotion" as: (1) commercial speech; (2) for the purpose of

> influencing customers to buy the defendant's goods or services; (3) that is disseminated either widely enough to the relevant purchasing public to constitute advertising or promotion within that industry or to a substantial portion of the plaintiff's or defendant's existing customer or client base. We decline to adopt the requirement that the parties be in competition. Obviously, defendants who are in direct competition with plaintiffs may falsely denigrate their competitors' products or make equally false statements about the merits of their own, and are indeed the most likely source of such false advertising. But, as the Second Circuit noted, because the statute nowhere requires such a showing by plaintiffs, we will not impose one. See *Fashion Boutique*, 314 F.3d at 58.
>
> Turning now to the facts of this case, we believe that the letter to all of Tri-Serve's clients, fits squarely within this definition of "commercial promotion." The letter to the twenty-two clients touted the many advantages of the purported "partnership" . . . As Plaintiffs plead in their Complaint, this e-mail represented the culmination of a plan to move the Tri-Serve clients to Sheakley, and intended to induce them into transferring their business. . . .

**Page 764. Insert before Questions:**

**Jordan v. Jewel Food Stores**, 743 F.3d 509 (7th Cir. 2014). To celebrate Michael Jordan's induction into the Basketball Hall of Fame in September 2009, Time, Inc., the publisher of *Sports Illustrated*, produced a special commemorative issue of *Sports Illustrated Presents*. Jewel accepted Time Inc.'s offer of free advertising space in the issue in exchange for stocking the magazine in its supermarkets. Jewel ran a full-page ad congratulating Jordan on the inside back cover of the commemorative issue, which was on sale for a three-month period following the induction ceremony. Jordan, unflattered, considered the ad a misappropriation of his identity for the supermarket chain's commercial benefit, and initiated an action under, *inter alia*, Lanham Act sec. 43(a).

The 7th Circuit, per Judge Posner, reversed the district court's ruling that the advertisement was noncommercial speech insulated by the first amendment.

> The ad combines textual, photographic, and graphic elements, and prominently includes the Jewel-Osco logo and the supermarket chain's marketing slogan, "Good things are just around the corner." The logo and slogan--both registered trademarks--are positioned in the middle of the page, above a photo of a pair of basketball shoes, each bearing Jordan's number "23." The text of the ad reads as follows:

> A Shoe In!
> After six NBA championships, scores of rewritten record books and numerous buzzer beaters, Michael Jordan's elevation in the Basketball Hall of Fame was never in doubt! Jewel-Osco salutes #23 on his many accomplishments as we honor a fellow Chicagoan who was "just around the corner" for so many years.
>
> . . .

. . . [C]onsidered in context, . . . Jewel's ad has an unmistakable commercial function: enhancing the Jewel-Osco brand in the minds of consumers. This commercial message is implicit but easily inferred, and is the dominant one.

We begin by making a point that should be obvious but seems lost on Jewel: There is a world of difference between an ad congratulating a local community group and an ad congratulating a famous athlete. Both ads will generate goodwill for the advertiser. But an ad congratulating a famous athlete can only be understood as a promotional device for the advertiser. Unlike a community group, the athlete needs no gratuitous promotion and his identity has commercial value. Jewel's ad cannot be construed as a benevolent act of good corporate citizenship.

As for the other elements of the ad, Jewel-Osco's graphic logo and slogan appear just below the textual salute to Jordan. The bold red logo is prominently featured in the center of the ad and in a font size larger than any other on the page. Both the logo and the slogan are styled in their trademarked ways. Their style, size, and color set them off from the congratulatory text, drawing attention to Jewel-Osco's sponsorship of the tribute. Apart from the basketball shoes, the Jewel-Osco brand-name is the center of visual attention on the page. And the congratulatory message specifically incorporates Jewel's slogan: "as we honor a fellow Chicagoan who was 'just around the corner' for so many years." The ad is plainly aimed at fostering goodwill for the Jewel brand among the targeted consumer group--"fellow Chicagoans" and fans of Michael Jordan--for the purpose of increasing patronage at Jewel-Osco stores.

The district judge nonetheless concluded that the ad was not commercial speech based in part on his view that "readers would be at a loss to explain what they have been invited to buy," a reference to the fact that the ad features only the tribute to Jordan, the Jewel-Osco logo and slogan, and a pair of basketball shoes. Granted, Jewel does not sell basketball shoes; it's a chain of grocery stores, and this ad

> contains not a single word about the specific products that Jewel-Osco sells, nor any product-specific art or photography. The Supreme Court has said that the failure to reference a specific product is a relevant consideration in the commercial-speech determination. *See Bolger,* 463 U.S. at 66-67. But it is far from dispositive, especially where "image" or brand advertising rather than product advertising is concerned.
>
> Image advertising is ubiquitous in all media. Jewel's ad is an example of a neighborly form of general brand promotion by a large urban supermarket chain. What does it invite readers to buy? Whatever they need from a grocery store--a loaf of bread, a gallon of milk, perhaps the next edition of *Sports Illustrated*--from *Jewel-Osco*, where "good things are just around the corner." The ad implicitly encourages readers to patronize their local Jewel-Osco store. That it doesn't mention a specific product means only that this is a different genre of advertising. It promotes brand loyalty rather than a specific product, but that doesn't mean it's "noncommercial."

**Page 765. Question 2:** the *Merck Eprova* decision has been affirmed, 760 F.3d 247 (2d Cir. 2014). In affirming, the Second Circuit further ruled that "in a case where willful deception is proved, a presumption of injury may be used to award a plaintiff damages in the form of defendant's profits, and may, in circumstances such as those present here, warrant enhanced damages."

**Page 768. Insert following Coca-Cola Co. v. Tropicana Prods., Inc.:**

*Editors' Note*: In *Merck Eprova AG v. Gnosis S.P.A.*, 760 F.3d 247 (2d Cir. 2014), the Second Circuit reaffirmed its rule that

> [W]here a defendant's advertising of products is literally false, a Lanham Act plaintiff need not "provide evidence of actual consumer confusion by resort to witness testimony, consumer surveys, or other such evidence in order to establish entitlement to damages under the Lanham Act. . . . In light of this factual finding of literal falsity, the district court was correct to presume consumer confusion from Gnosis's marketing specification sheets, brochures, data sheets, and certificates of analysis. . . . Once literal falsity—an unchallenged factual finding—was proved, no further evidence of actual consumer confusion was necessary.

[Citations and internal quotations omitted.]

**Page 784. Insert before Questions:**

**Chobani, LLC v. Dannon Co.**, 2016 U.S. Dist. LEXIS 12097 (N.D.N.Y Jan. 29, 2016). Chobani and Dannon both produce "light" low-calorie Greek style yogurt. Chobani touts its products' absence of artificial sweeteners and preservatives. The court described the contested advertisement as follows:

> The Commercial's opening shot focuses on a cup of Dannon Light & Fit Greek Yogurt sitting on a table, which is immediately picked up by a young woman lounging in a pool chair. As she scrutinizes the product's ingredients label, a voiceover proclaims: "Dannon Light & Fit Greek actually uses artificial sweeteners like sucralose. Sucralose? Why? That stuff has chlorine added to it!" In response to this revelation, the woman scrunches her face in disgust and tosses the cup of Dannon yogurt into a distant receptacle, resembling a trash bin, labeled "towels."
>
> Instead, the young woman selects a cup of Chobani Simply 100 Greek Yogurt sitting on a table to her right as a swimming pool becomes visible in the background. The voiceover then states: "Now, there's Chobani Simply 100. It's the only 100 calorie light yogurt sweetened naturally." As she tears open the packaging, the Commercial pans to a wide shot of the swimming pool, where a child jumps in, making a big splash. The camera returns to the woman, now smiling contentedly, before finishing with a wide shot of the entire swimming pool scene. Text laid over this final shot includes a hashtag: "#NOBADSTUFF." . . .

The court made the following findings regarding Sucralose:

> Sucralose, the artificial ingredient at the center of this dispute, is a "zero-calorie, non-nutritive sweetener" that has been approved by the U.S. Food and Drug Administration ("FDA") for human consumption since 1999. Sucralose has been extensively studied and the FDA has reviewed more than 110 safety studies in connection with its use as a general purpose sweetener for food.
>
> Sucralose is a molecule with twelve carbon, nineteen hydrogen, eight oxygen, and three chlorine atoms linked together in a stable form that is safe to consume. The molecule is manufactured through a process in which three atoms of chlorine are "substituted" for three hydrogen-oxygen groups on a sucrose molecule. This trio of chlorine atoms are known in the scientific community as a "chloride," a

compound of chlorine that is bound to another element or group. Such chlorides are found throughout nature and in numerous natural food sources ranging from simple table salt to cow's milk.

Pool chlorine, on the other hand, is a colloquial term for calcium hypochlorite, a powerful bleach and disinfectant that is harmful if added to food or ingested. This substance is distinct both chemically and practically from the chlorine atoms found in sucralose. Calcium hypochlorite is not found in, or used to manufacture, any of Dannon's products.

The court ruled Chobani's advertisement "false by necessary implication."

Dannon contends it is likely to succeed on its claim that Chobani's Simply 100 Campaign is "literally false by necessary implication," because the statements about added chlorine convey the literally false message that the sucralose contained in Dannon's Light & Fit Greek renders it unsafe to eat.

Chobani defends its sweetener comparison claims by arguing that, not only is it literally true that sucralose has "chlorine added to it," but that the other challenged messages—that its products are "good" or that Dannon's artificial ingredients are "bad stuff"—are merely "puffery," statements of Chobani's own opinion about the superiority of its own natural products.

This argument is unpersuasive. "Puffery is an exaggeration or overstatement expressed in broad, vague, and commendatory language." [Citation] . . .

"[B]ut an advertiser treads a far different line when it not only lauds its own products, but directly attacks a competitor." [Citation.] While the phrase "no bad stuff," if untethered to any comparison claim specifically referencing Dannon's product, may be considered the sort of commendatory overstatement incapable of deceiving a consumer, the Simply 100 Campaign employs that negative phrasing in connection with other statements and images that paint Dannon's products as a safety risk because they contain sucralose. [Citation.]

Putting aside the fact that Chobani's statements about "chlorine" may be literally true, courts regularly recognize that even where "no combination of words" found in the advertisement is untrue, the message conveyed by the advertisement may still be "literally false" if its clear meaning, considered in context, is false. [Citations.] . . .

> With these principles in mind, it is easy to conclude that Dannon, as counter-claimant here, has demonstrated a substantial likelihood of success on the merits of its false advertising claim, since it is likely that a factfinder would conclude that the challenged aspects of the Simply 100 Campaign unambiguously convey the literally false message that Dannon's product contains sucralose and is therefore unsafe to consume. . . .

See also *General Mills, Inc. v. Chobani, LLC*, 2016 U.S. Dist. LEXIS 10520 (N.D.N.Y. Jan. 29, 2016) (similar claim of falsity by necessary implication successfully asserted against Chobani commercial describing preservative potassium sorbate in General Mills' Yoplait low-calorie Greek-style yogurt as a substance " used to kill bugs.")

**Page 785. Add new Question 4:**

**4.** You represent Amazon.com. Its listings of items offered for sale often include succinct consumer reviews of the goods. Typical reviews give a 1-5 star rating and a short comment pinpointing the merits, or failings, of the goods. Your client has learned that a company called buyamazonreviews.com will, for $19 to $22 per review, place product reviews on the relevant pages of Amazon.com, touting the merits of the offered goods. Your client believes that the "reviewers" (employees of buyamazonreviews.com) may in fact never have used or even received the product they endorse. You have visited buyamazonreviews.com's website, which presents the following sales pitch:

> Are you tired of your products not being seen, tired of competitors leaving bad reviews? The solution is simple. Buy Amazon reviews. You can have unlimited 4 and 5 star reviews this week. Our skilled writers look at your product, look at your competitor's products and then write state of the art reviews that will be sure to generate sales for you. . . . We provide real reviews from aged accounts with real buying activity. Most products in the Amazon marketplace will never even be seen. The more positive reviews you have the better your chances are. . . . You can buy Amazon reviews for any type of product. We write reviews for music, eBooks, supplements, cosmetics etc.. We won't just copy reviews from elsewhere and rewrite them. Your reviews will be 100% unique.

Assess the likelihood of success should Amazon.com bring a false representation action against buyamazonreviews.com.

**Page 792. Insert following *Innovation Ventures, LLC v. N.V.E., Inc.*:**

*Editors' Note:* In a related case, *Innovation Ventures, LLC v. N2G Distributing, Inc.*, 763 F.3d 524 (6th Cir. 2014), the Sixth Circuit affirmed the entry of a permanent injunction against the producers of "6 Hour Energy Shot" (the third-party product referred to and pictured in *Innovation Ventures, LLC v. N.V.E., Inc.*). The court upheld the findings of likelihood of confusion with respect to both the word mark and the trade dress.

**Page 798. Insert the following Note after *Coors Brewing Co. v. Anheuser-Busch Co.*:**

**NOTE: LANHAM ACT LIABILITY OF ADVERTISING AGENCIES**

**Nestlé Purina Petcare Co. v. Blue Buffalo Co. Ltd.**, 2015 U.S. Dist. LEXIS 51273 (E.D. Mo. April 20, 2015). Nestle Purina PetCare Company alleged that Blue Buffalo falsely claimed that its dog food products, which it advertises as "grain free" and containing "no chicken by-product," do in fact contain those ingredients. Purina then issued press releases about the suit and launched a website, www.PetFoodHonesty.com (the "Honesty website") charging Blue Buffalo with false advertising. Blue Buffalo filed a counterclaim alleging that Purina's press releases and "Honesty website" constituted false advertising. Blue Buffalo also named the advertising agencies that assisted Purina with its challenged public statements and the Honesty website as defendants in the action. The advertising agencies moved to dismiss the claim against them. The court denied the motion.

> The language of the Act creates a cause of action against any person who engages in false advertising. Liability is not limited to direct competitors. [Citation.] Nor is liability limited to competitors who commission false advertisements. Rather, those who work with competitors to produce false advertisements may also be liable under the Lanham Act. [Citation.]
>
> Unfortunately, there is not much case law discussing the liability of advertising and public relations agencies for Lanham Act false advertising violations. However, a handful of district courts around the county have addressed this issue, and these courts have held that advertising agencies may be liable under the Lanham Act. See *Gillette v. Wilkinson Sword, Inc.*, 795 F. Supp. 662, 663-64 (S.D.N.Y. 1992) ("The analysis of *Noone* [*v. Banner Talent Associates, Inc.*, 398 F.Supp. 260 (S.D.N.Y. 1975)] is sound, and should apply generally to non-principal co-defendants who knowingly participate in false advertising. Thus, advertising agencies are liable under § 43(a) at least where they knowingly participate in the false advertising.") (citing *Noone*, 398 F.Supp. at 263); and *In re Century 21-RE/MAX Real*

*Estate Adver. Claims Litig.*, 882 F. Supp. 915, 924-25 (C.D. Cal. 1994) (holding that "[j]oint tortfeasor liability is available only when the defendant has 'knowingly participated in the creation, development and propagation of the . . . false advertising campaign'") (quoting *Gillette*, 795 F. Supp. at 664). See also *Maybelline Co. v. Noxell Corp.*, 813 F.2d 901 (8th Cir. 1987) (reviewing a false advertising claim under the Lanham Act which included advertising agency co-defendants who had carried out the challenged advertising campaign on behalf of Maybelline).

The Advertising Defendants concede that advertising agencies may be liable under the Lanham Act, but argue that such is not the case here because liability will only be found where the agency "was an active participant in the preparation of the ad" and "knew or had reason to know that it was false or deceptive." [Citation.] The Advertising Defendants argue that Blue Buffalo has failed to sufficiently allege either of these elements. Blue Buffalo disagrees that the Lanham Act imposes a scienter or "knowing" requirement.

Although an older version of the Lanham Act included a "knowing" element, Congress amended the Act in 1988 to remove that element. Compare 15 U.S.C. § 1125(a) (1970) ("[A]ny person who shall *with knowledge of the falsity* of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action.") (emphasis added), with 15 U.S.C. § 1125(a) (1988) ("Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce . . . [any] false or misleading representation of fact . . . shall be liable in a civil action . . . .") (effective as of Nov. 1989). Indeed, courts agree that the elements of a false advertising claim under the current version of the Lanham Act are:

> (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a loss of goodwill associated with its products.

*Buetow v. A.L.S. Enterprises, Inc.*, 650 F.3d 1178, 1182-83 (8th Cir. 2011) (citing *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1180 (8th Cir.1998).

Despite the clear language of the Lanham Act, the Advertising Defendants argue that the Lanham Act silently imposes a scienter requirement in actions against advertising agencies. . . . [The court distinguished prior cases on the ground that they relied on pre-amendment versions of the Lanham Act.]

Congress expressly removed the "knowing" element from the Lanham Act in the 1988 amendment, and the sparse case law cited by the parties has not convinced me that there is still a silent "knowing" requirement for claims against advertising agencies. As a result, I will not dismiss the complaint against the Advertising Defendants for failure to allege that the Advertising Defendants knew the advertisements they allegedly created were misleading or false.

**QUESTION**

When Congress removed the knowledge requirement, do you think it had advertising agencies in mind? Why and under what circumstances should (or should not) advertising agencies be held to a different standard than their clients with respect to claims of false representation?

**Page 807. Insert following *McNeil-PPC, Inc. v. Pfizer, Inc.*:**

**EASTMAN CHEM. CO. v, PLASTIPURE, INC.**
775 F.3d 230 (5th Cir. 2014)

JENNIFER WALKER ELROD, Circuit Judge:

After a jury found that PlastiPure, Inc. and CertiChem, Inc. violated the Lanham Act by making false statements of fact about their competitor's product, the district court entered an injunction against both companies. On appeal, PlastiPure and CertiChem challenge the jury verdict and the injunction on various grounds, including that their statements constituted non-actionable scientific opinions rather than actionable statements of fact. Because the Lanham Act prohibits false commercial speech even when that speech makes scientific claims, and because Appellants' other contentions lack merit, we AFFIRM.

I.

Eastman Chemical Company (Eastman) manufactures a plastic resin called Tritan and sells it to manufacturers of water bottles, baby bottles, food containers, and other consumer products. Eastman launched Tritan commercially in 2007 as an alternative to polycarbonate, which at that point was the primary plastic used in food contact applications. Shortly after Tritan's launch, consumers became concerned that an ingredient in polycarbonate, bisphenol A (BPA), could be harmful to humans. The concerns about BPA were premised on scientific studies purporting to show that BPA could activate estrogen receptors in the human body. Chemicals that mimic estrogen are said to possess estrogenic activity (EA), and they can trigger hormone-dependent cancers, reproductive abnormalities, and other negative health conditions. Eastman recognized that consumer fears about polycarbonate could be a boon to its sales of Tritan, provided that it could assure potential clients that Tritan does not exhibit EA. To that end, Eastman conducted a battery of tests on Tritan which, according to Eastman, showed that Tritan does not exhibit EA.

PlastiPure and CertiChem also hoped to seize on the opportunity created by the public's desire for BPA-free plastics. PlastiPure and CertiChem are companies founded by Dr. George Bittner, a professor of neurobiology at the University of Texas at Austin. PlastiPure developed a plastic resin that it claims does not exhibit EA and, like Eastman, PlastiPure sells its plastic resin to product manufacturers. CertiChem's primary focus is on testing materials for various sorts of hormonal activity.

In 2011, CertiChem published an article summarizing the results of its testing of more than 500 commercially available plastic products. The article was published in *Environmental Health Perspectives*, a peer-reviewed journal published by the National Institutes of Health. Although products made with Tritan were among the products tested, Tritan was not mentioned by name in the article.

After research on the article was completed, but prior to the article's publication, PlastiPure published a three-page sales brochure entitled "EA-Free Plastic Products: Beyond BPA-Free" and distributed the brochure at trade shows and directly to potential customers. The brochure contains a chart that depicts products containing "Eastman's Tritan" as having significant levels of EA. The caption to the chart states: "Examples of test results of products claiming to be EA-free or made from materials claiming to be EA-free are given in the figure to the right. Most examples are made from Eastman's TritanTM resin."

Based on the sales brochure and other marketing materials, Eastman filed suit against PlastiPure and CertiChem, alleging false advertising under the Lanham Act,…

II.

. . .

Appellants argue that commercial statements relating to live scientific controversies should be treated as opinions for Lanham Act purposes. According to Appellants, enjoining statements that embrace one side of an open scientific debate would stifle academic freedom and inhibit the free flow of scientific ideas, contrary to the principles undergirding the First Amendment . Accordingly, they urge us to classify their statements about Tritan's EA content as opinions rather than actionable facts.

As primary support for their argument, Appellants offer the Second Circuit's opinion in *ONY, Inc. v. Cornerstone Therapeutics, Inc*., 720 F.3d 490 (2d Cir. 2013). In *ONY*, the parties were rival producers of [a pharmaceutical product]. . . . The defendants [published a peer-reviewdof study showing the superiority of their product]. . . . After the article's publication, the defendants "issued a press release touting its conclusions and distributed promotional materials that cited the article's findings." Id. at 495.

. . . After a thorough analysis [of the plaintiffs' Lanham Act claim], the Second Circuit concluded that the First Amendment places scientific debates unfolding within the scientific community beyond the reach of the Lanham Act. According to the Second Circuit, statements in scientific literature "are more closely akin to matters of opinion, and are so understood by the relevant scientific communities." Id. at 497.

Appellants insist that the present case is on "all fours" with *ONY*. We disagree. The plaintiff in *ONY* sought to enjoin statements made within the academic literature and directed at the scientific community. In that context, the Second Circuit concluded that the defendants' statements should be treated as opinions, else the prospect of defamation liability would stifle academic debate and trench upon First Amendment values. *See* id. at 497 ("[T]he trial of ideas plays out in the pages of peer-reviewed journals, and the scientific public sits as the jury."). Here, in contrast, . . . [a]s the district court aptly summarized:

> This lawsuit is not about Dr. Bittner's scientific paper. It is about statements made in commercial advertisements or promotions, not statements made in a peer-reviewed journal. It is about statements made to consumers, not scientists. It is about statements made without the necessary context presented by a full scientific study, such as a description of the data, the experimental methodology, the potential conflicts of interest, and the differences between raw data and the conclusions drawn by the researcher.
>
> . . .

Given the applicable binding precedent, it is of no moment that the commercial speech in this case concerned a topic of scientific debate.

Advertisements do not become immune from Lanham Act scrutiny simply because their claims are open to scientific or public debate. Otherwise, the Lanham Act would hardly ever be enforceable . . . The First Amendment ensures a robust discourse in the pages of academic journals, but it does not immunize false or misleading commercial claims. [Citations]

**Page 810. Insert following opinion after Questions following *Havana Club:***

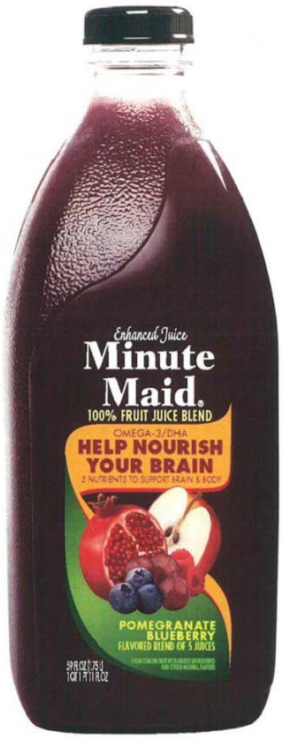
**POM WONDERFUL LLC v. COCA COLA CO.**
134 S.Ct. 2228 (2014)

JUSTICE KENNEDY DELIVERED THE OPINION OF THE COURT

. . .

POM Wonderful LLC is a grower of pomegranates and a distributor of pomegranate juices. Through its POM Wonderful brand, POM produces, markets, and sells a variety of pomegranate products, including a pomegranate-blueberry juice blend.

POM competes in the pomegranate-blueberry juice market with the Coca-Cola Company. Coca-Cola, under its Minute Maid brand, created a juice blend containing 99.4% apple and grape juices, 0.3% pomegranate juice, 0.2% blueberry juice, and 0.1% raspberry juice. Despite the minuscule amount of pomegranate and blueberry juices in the blend, the front label of the Coca-Cola product displays the words "pomegranate blueberry" in all capital letters, on two separate lines. Below those words, Coca-Cola placed the phrase "flavored blend of 5 juices" in much smaller type. And below that phrase, in still smaller type, were the words "from concentrate with added ingredients"--and, with a line break before the final phrase-- "and other natural flavors." The product's front label also displays a vignette of blueberries, grapes, and raspberries in front of a halved pomegranate and a halved apple.




Claiming that Coca-Cola's label tricks and deceives consumers, all to POM's injury as a competitor, POM brought suit under the Lanham Act. POM alleged that the name, label, marketing, and advertising of Coca-Cola's juice blend mislead consumers into believing the product consists predominantly of pomegranate and blueberry juice when it in fact consists predominantly of less expensive apple and grape juices. That confusion, POM complained, causes it to lose sales. POM sought damages and injunctive relief.

The District Court granted partial summary judgment to Coca-Cola on POM's Lanham Act claim, ruling that the FDCA and its regulations preclude challenges to the name and label of Coca-Cola's juice blend. The District Court reasoned that in the juice blend regulations the "FDA has directly spoken on the issues that form the basis of POM's Lanham Act claim against the naming and labeling of" Coca-Cola's product, but has not prohibited any, and indeed expressly has permitted some, aspects of Coca-Cola's label. 727 F. Supp. 2d 849, 871-873 (CD Cal. 2010).

The Court of Appeals for the Ninth Circuit affirmed in relevant part. Like the District Court, the Court of Appeals reasoned that Congress decided "to entrust matters of juice beverage labeling to the FDA"; the FDA has promulgated "comprehensive regulation of that labeling"; and the FDA "apparently" has not imposed the requirements on Coca-Cola's label that are sought by POM. 679 F. 3d 1170, 1178 (2012). "[U]nder [Circuit] precedent," the Court of Appeals explained, "for a court to act when the FDA has not--despite regulating extensively in this area--would risk undercutting the FDA's expert judgments and authority." *Id.*, at 1177.

For these reasons, and "[o]ut of respect for the statutory and regulatory scheme," the Court of Appeals barred POM's Lanham Act claim. *Id.*, at 1178.

. . .

Beginning with the text of the two statutes, it must be observed that neither the Lanham Act nor the FDCA, in express terms, forbids or limits Lanham Act claims challenging labels that are regulated by the FDCA. By its terms, the Lanham Act subjects to suit any person who "misrepresents the nature, characteristics, qualities, or geographic origin" of goods or services. 15 U. S. C. §1125(a). This comprehensive imposition of liability extends, by its own terms, to misrepresentations on labels, including food and beverage labels. No other provision in the Lanham Act limits that understanding or purports to govern the relevant interaction between the Lanham Act and the FDCA. And the FDCA, by its terms, does not preclude Lanham Act suits. In consequence, food and beverage labels regulated by the FDCA are not, under the terms of either statute, off limits to Lanham Act claims. No textual provision in either statute discloses a purpose to bar unfair competition claims like POM's.

This absence is of special significance because the Lanham Act and the FDCA have coexisted since the passage of the Lanham Act in 1946. [Citation]. If Congress had concluded, in light of experience, that Lanham Act suits could interfere with the FDCA, it might well have enacted a provision addressing the issue during these 70 years. [Citations]. Congress enacted amendments to the FDCA and the Lanham Act, *see, e.g.*, Nutrition Labeling and Education Act of 1990, 104 Stat. 2353; Trademark Law Revision Act of 1988, §132, 102 Stat. 3946, including an amendment that added to the FDCA an express pre-emption provision with respect to state laws addressing food and beverage misbranding, §6, 104 Stat. 2362. Yet Congress did not enact a provision addressing the preclusion of other federal laws that might bear on food and beverage labeling. This is "powerful evidence that Congress did not intend FDA oversight to be the exclusive means" of ensuring proper food and beverage labeling. [Citation].

. . .

The structures of the FDCA and the Lanham Act reinforce the conclusion drawn from the text. When two statutes complement each other, it would show disregard for the congressional design to hold that Congress nonetheless intended one federal statute to preclude the operation of the other.

. . .

The two statutes complement each other with respect to remedies in a more fundamental respect. Enforcement of the FDCA and the detailed prescriptions of its implementing regulations is largely committed to the FDA. The FDA, however, does not have the same perspective or expertise in assessing market dynamics that day-to-day competitors possess. Competitors who manufacture or distribute products have detailed knowledge regarding how consumers rely upon certain sales and marketing strategies. Their awareness of unfair competition practices may be far more immediate and accurate than that of agency rulemakers and regulators. Lanham Act suits draw upon this market expertise by empowering private parties to

sue competitors to protect their interests on a case-by-case basis. By "serv[ing] a distinct compensatory function that may motivate injured persons to come forward," Lanham Act suits, to the extent they touch on the same subject matter as the FDCA, "provide incentives" for manufacturers to behave well. [Citation]. Allowing Lanham Act suits takes advantage of synergies among multiple methods of regulation. This is quite consistent with the congressional design to enact two different statutes, each with its own mechanisms to enhance the protection of competitors and consumers.

. . .

Finally, Coca-Cola urges that the FDCA, and particularly its implementing regulations, addresses food and beverage labeling with much more specificity than is found in the provisions of the Lanham Act. That is true. The pages of FDA rulemakings devoted only to juice-blend labeling attest to the level of detail with which the FDA has examined the subject. [Citation]. Because, as we have explained, the FDCA and the Lanham Act are complementary and have separate scopes and purposes, this greater specificity would matter only if the Lanham Act and the FDCA cannot be implemented in full at the same time. [Citations]. But neither the statutory structure nor the empirical evidence of which the Court is aware indicates there will be any difficulty in fully enforcing each statute according to its terms.

. . .

The position Coca-Cola takes in this Court that because food and beverage labeling is involved it has no Lanham Act liability here for practices that allegedly mislead and trick consumers, all to the injury of competitors, finds no support in precedent or the statutes.

## D. STANDING TO ASSERT A § 43(a) CLAIM

**Pages 811-14. Replace material on these pages, up to but not including the Questions, with:**

**LEXMARK INTERNATIONAL, INC. v. STATIC CONTROL COMPONENTS, INC.**
134 S. Ct. 1377 (2014)

JUSTICE SCALIA DELIVERED THE OPINION OF THE COURT

This case requires us to decide whether respondent, Static Control Components, Inc., may sue petitioner, Lexmark International, Inc., for false advertising under the Lanham Act, 15 U.S.C. § 1125(a).

## I. Background

Lexmark manufactures and sells laser printers. It also sells toner cartridges for those printers (toner being the powdery ink that laser printers use to create images on paper). Lexmark designs its printers to work only with its own style of cartridges, and it therefore dominates the market for cartridges compatible with its printers. That market, however, is not devoid of competitors. Other businesses, called "remanufacturers," acquire used Lexmark toner cartridges, refurbish them, and sell them in competition with new and refurbished cartridges sold by Lexmark.

Lexmark would prefer that its customers return their empty cartridges to it for refurbishment and resale, rather than sell those cartridges to a remanufacturer. So Lexmark introduced what it called a "Prebate" program, which enabled customers to purchase new toner cartridges at a 20-percent discount if they would agree to return the cartridge to Lexmark once it was empty. Those terms were communicated to consumers through notices printed on the toner-cartridge boxes, which advised the consumer that opening the box would indicate assent to the terms--a practice commonly known as "shrinkwrap licensing," [citation]. To enforce the Prebate terms, Lexmark included a microchip in each Prebate cartridge that would disable the cartridge after it ran out of toner; for the cartridge to be used again, the microchip would have to be replaced by Lexmark.

Static Control is not itself a manufacturer or remanufacturer of toner cartridges. It is, rather, "the market leader [in] making and selling the components necessary to remanufacture Lexmark cartridges." 697 F.3d 387, 396 (CA6 2012) (case below). In addition to supplying remanufacturers with toner and various replacement parts, Static Control developed a microchip that could mimic the microchip in Lexmark's Prebate cartridges. By purchasing Static Control's microchips and using them to replace the Lexmark microchip, remanufacturers were able to refurbish and resell used Prebate cartridges.

Lexmark did not take kindly to that development. In 2002, it sued Static Control, alleging that Static Control's microchips violated both the Copyright Act of 1976, 17 U.S.C. §101 *et seq.*, and the Digital Millennium Copyright Act, 17 U.S.C. §1201 *et seq.* Static Control counterclaimed, alleging, among other things, violations of §43(a) of the Lanham Act . . .

As relevant to its Lanham Act claim, Static Control alleged two types of false or misleading conduct by Lexmark. First, it alleged that through its Prebate program Lexmark "purposefully misleads end-users" to believe that they are legally bound by the Prebate terms and are thus required to return the Prebate-labeled cartridge to Lexmark after a single use. Second, it alleged that upon introducing the Prebate program, Lexmark "sent letters to most of the companies in the toner cartridge remanufacturing business" falsely advising those companies that it was illegal to sell refurbished Prebate cartridges and, in particular, that it was illegal to use Static Control's products to refurbish those cartridges. Static Control asserted that by

those statements, Lexmark had materially misrepresented "the nature, characteristics, and qualities" of both its own products and Static Control's products.
. . .

[The District Court dismissed Static Control's counterclaim on the ground that it was an insufficiently direct competitor of Lexmark. The Sixth Circuit reversed.] Taking the lay of the land, it identified three competing approaches to determining whether a plaintiff has standing to sue under the Lanham Act. It observed that the Third, Fifth, Eighth, and Eleventh Circuits all refer to "antitrust standing . . ." [Citations]. By contrast, "[t]he Seventh, Ninth, and Tenth [Circuits] use a categorical test, permitting Lanham Act suits only by an actual competitor." [Citations]. And the Second Circuit applies a "'reasonable interest' approach," under which a Lanham Act plaintiff "has standing if the claimant can demonstrate '(1) a reasonable interest to be protected against the alleged false advertising and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising.'" [Citations]. The Sixth Circuit applied the Second Circuit's reasonable-interest test and concluded that Static Control had standing because it "alleged a cognizable interest in its business reputation and sales to remanufacturers and sufficiently alleged that th[o]se interests were harmed by Lexmark's statements to the remanufacturers that Static Control was engaging in illegal conduct." [Citation].

We granted certiorari to decide "the appropriate analytical framework for determining a party's standing to maintain an action for false advertising under the Lanham Act."
. . .

III. Static Control's Right To Sue Under §1125(a)

[T]his case presents a straightforward question of statutory interpretation: Does the cause of action in §1125(a) extend to plaintiffs like Static Control? The statute authorizes suit by "any person who believes that he or she is likely to be damaged" by a defendant's false advertising. §1125(a)(1). Read literally, that broad language might suggest that an action is available to anyone who can satisfy the minimum requirements of Article III. No party makes that argument, however, and the "unlikelihood that Congress meant to allow all factually injured plaintiffs to recover persuades us that [§1125(a)] should not get such an expansive reading." [Citation]. We reach that conclusion in light of two relevant background principles . . .: zone of interests and proximate causality.

A. Zone of Interests

First, we presume that a statutory cause of action extends only to plaintiffs whose interests "fall within the zone of interests protected by the law invoked." [Citation]. . . .

Identifying the interests protected by the Lanham Act . . . requires no guesswork, since the Act includes an "unusual, and extraordinarily helpful," detailed statement of the statute's purposes. [Citation]. Section 45 of the Act, codified at 15 U.S.C. §1127, provides:

> "The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations."

Most of the enumerated purposes are relevant to false-association cases; a typical false-advertising case will implicate only the Act's goal of "protect[ing] persons engaged in [commerce within the control of Congress] against unfair competition." Although "unfair competition" was a "plastic" concept at common law, [citation], it was understood to be concerned with injuries to business reputation and present and future sales. [Citations].

We thus hold that to come within the zone of interests in a suit for false advertising under §1125(a), a plaintiff must allege an injury to a commercial interest in reputation or sales. A consumer who is hoodwinked into purchasing a disappointing product may well have an injury-in-fact cognizable under Article III, but he cannot invoke the protection of the Lanham Act--a conclusion reached by every Circuit to consider the question. [Citations]. Even a business misled by a supplier into purchasing an inferior product is, like consumers generally, not under the Act's aegis.

B. Proximate Cause

Second, we generally presume that a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute. For centuries, it has been "a well established principle of [the common] law, that in all cases of loss, we are to attribute it to the proximate cause, and not to any remote cause." [Citations]. That venerable principle reflects the reality that "the judicial remedy cannot encompass every conceivable harm that can be traced to alleged wrongdoing." [Citation]. Congress, we assume, is familiar with the common-law rule and does not mean to displace it *sub silentio*. We have thus construed federal causes of action in a variety of contexts to incorporate a requirement of proximate causation. [Citations]. No party disputes that it is proper to read §1125(a) as containing such a requirement, its broad language notwithstanding.

The proximate-cause inquiry is not easy to define, and over the years it has taken various forms; but courts have a great deal of experience applying it, and there is a wealth of precedent for them to draw upon in doing so. [Citations]. Proximate-cause analysis is controlled by the nature of the statutory cause of action. The question it presents is whether the harm alleged has a sufficiently close connection to the conduct the statute prohibits.

Put differently, the proximate-cause requirement generally bars suits for alleged harm that is "too remote" from the defendant's unlawful conduct. That is ordinarily the case if the harm is purely derivative of "misfortunes visited upon a third person by the defendant's acts." [Citations]. In a sense, of course, all commercial injuries from false advertising are derivative of those suffered by consumers who are deceived by the advertising; but since the Lanham Act authorizes suit only for commercial injuries, the intervening step of consumer deception is not fatal to the showing of proximate causation required by the statute. [Citation]. That is consistent with our recognition that under common-law principles, a plaintiff can be directly injured by a misrepresentation even where "a third party, and not the plaintiff, . . . relied on" it. [Citation].

We thus hold that a plaintiff suing under §1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff. That showing is generally not made when the deception produces injuries to a fellow commercial actor that in turn affect the plaintiff. For example, while a competitor who is forced out of business by a defendant's false advertising generally will be able to sue for its losses, the same is not true of the competitor's landlord, its electric company, and other commercial parties who suffer merely as a result of the competitor's "inability to meet [its] financial obligations." [Citation].

C. Proposed Tests

At oral argument, Lexmark agreed that the zone of interests and proximate causation supply the relevant background limitations on suit under §1125(a). But it urges us to adopt, as the optimal formulation of those principles, a multifactor balancing test derived from Associated General Contractors. In the alternative, it asks that we adopt a categorical test permitting only direct competitors to sue for false advertising. And although neither party urges adoption of the "reasonable interest" test applied below, several amici do so. While none of those tests is wholly without merit, we decline to adopt any of them. We hold instead that a direct application of the zone-of-interests test and the proximate-cause requirement supplies the relevant limits on who may sue.

The balancing test Lexmark advocates was first articulated by the Third Circuit in *Conte Bros*. [*Automotive, Inc. v. Quaker State-Slick 50, Inc*., 165 F.3d 221 (3d Cir.

1998)] and later adopted by several other Circuits. *Conte Bros*. identified five relevant considerations:

> (1) The nature of the plaintiff's alleged injury: Is the injury of a type that Congress sought to redress in providing a private remedy for violations of the [Lanham Act]?
> (2) The directness or indirectness of the asserted injury.
> (3) The proximity or remoteness of the party to the alleged injurious conduct.
> (4) The speculativeness of the damages claim.
> (5) The risk of duplicative damages or complexity in apportioning damages." [Citation].

This approach reflects a commendable effort to give content to an otherwise nebulous inquiry, but we think it slightly off the mark. The first factor can be read as requiring that the plaintiff's injury be within the relevant zone of interests and the second and third as requiring (somewhat redundantly) proximate causation; but it is not correct to treat those requirements, which must be met in every case, as mere factors to be weighed in a balance. And the fourth and fifth factors are themselves problematic. "[T]he difficulty that can arise when a court attempts to ascertain the damages caused by some remote action" is a "motivating principle" behind the proximate-cause requirement, [citation]; but potential difficulty in ascertaining and apportioning damages is not, as *Conte Bros*. might suggest, an independent basis for denying standing where it is adequately alleged that a defendant's conduct has proximately injured an interest of the plaintiff's that the statute protects. Even when a plaintiff cannot quantify its losses with sufficient certainty to recover damages, it may still be entitled to injunctive relief under §1116(a) (assuming it can prove a likelihood of future injury) or disgorgement of the defendant's ill-gotten profits under §1117(a). [Citations]. Finally, experience has shown that the *Conte Bros*. approach, like other open-ended balancing tests, can yield unpredictable and at times arbitrary results. *See, e.g.*, Tushnet, Running the Gamut from A to B: Federal Trademark and False Advertising Law, 159 U. Pa. L. Rev. 1305, 1376-1379 (2011).

In contrast to the multifactor balancing approach, the direct-competitor test provides a bright-line rule; but it does so at the expense of distorting the statutory language. To be sure, a plaintiff who does not compete with the defendant will often have a harder time establishing proximate causation. But a rule categorically prohibiting all suits by noncompetitors would read too much into the Act's reference to "unfair competition" in §1127. By the time the Lanham Act was adopted, the common-law tort of unfair competition was understood not to be limited to actions between competitors. One leading authority in the field wrote that "there need be no competition in unfair competition," just as "[t]here is no soda in soda water, no grapes in grape fruit, no bread in bread fruit, and a clothes horse is not a horse but is good enough to hang things on." [Citations]. It is thus a mistake to infer that because the Lanham Act treats false advertising as a form of unfair competition, it can protect only the false-advertiser's direct competitors.

Finally, there is the "reasonable interest" test applied by the Sixth Circuit in this case. As typically formulated, it requires a commercial plaintiff to "demonstrate '(1) a reasonable interest to be protected against the alleged false advertising and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising.'" [Citation]. A purely practical objection to the test is that it lends itself to widely divergent application. Indeed, its vague language can be understood as requiring only the bare minimum of Article III standing. The popularity of the multifactor balancing test reflects its appeal to courts tired of "grappl[ing] with defining" the "'reasonable interest'" test "with greater precision." [Citation]. The theoretical difficulties with the test are even more substantial: The relevant question is not whether the plaintiff's interest is "reasonable," but whether it is one the Lanham Act protects; and not whether there is a "reasonable basis" for the plaintiff's claim of harm, but whether the harm alleged is proximately tied to the defendant's conduct. In short, we think the principles set forth above will provide clearer and more accurate guidance than the "reasonable interest" test.

## IV. Application

Applying those principles to Static Control's false-advertising claim, we conclude that Static Control comes within the class of plaintiffs whom Congress authorized to sue under §1125(a).

To begin, Static Control's alleged injuries--lost sales and damage to its business reputation--are injuries to precisely the sorts of commercial interests the Act protects. Static Control is suing not as a deceived consumer, but as a "perso[n] engaged in" "commerce within the control of Congress" whose position in the marketplace has been damaged by Lexmark's false advertising. §1127. There is no doubt that it is within the zone of interests protected by the statute.

Static Control also sufficiently alleged that its injuries were proximately caused by Lexmark's misrepresentations. This case, it is true, does not present the "classic Lanham Act false-advertising claim" in which "'one competito[r] directly injur[es] another by making false statements about his own goods [or the competitor's goods] and thus inducing customers to switch.'" [Citation]. But although diversion of sales to a direct competitor may be the paradigmatic direct injury from false advertising, it is not the only type of injury cognizable under §1125(a). For at least two reasons, Static Control's allegations satisfy the requirement of proximate causation.

First, Static Control alleged that Lexmark disparaged its business and products by asserting that Static Control's business was illegal. See 697 F.3d, at 411, n. 10 (noting allegation that Lexmark "directly target[ed] Static Control" when it "falsely advertised that Static Control infringed Lexmark's patents"). When a defendant harms a plaintiff's reputation by casting aspersions on its business, the plaintiff's injury flows directly from the audience's belief in the disparaging statements. Courts

have therefore afforded relief under §1125(a) not only where a defendant denigrates a plaintiff's product by name, [citation], but also where the defendant damages the product's reputation by, for example, equating it with an inferior product, [citations]. Traditional proximate-causation principles support those results: As we have observed, a defendant who "'seeks to promote his own interests by telling a known falsehood to or about the plaintiff or his product'" may be said to have proximately caused the plaintiff's harm. [Citation].

The District Court emphasized that Lexmark and Static Control are not direct competitors. But when a party claims reputational injury from disparagement, competition is not required for proximate cause; and that is true even if the defendant's aim was to harm its immediate competitors, and the plaintiff merely suffered collateral damage. Consider two rival carmakers who purchase airbags for their cars from different third-party manufacturers. If the first carmaker, hoping to divert sales from the second, falsely proclaims that the airbags used by the second carmaker are defective, both the second carmaker and its airbag supplier may suffer reputational injury, and their sales may decline as a result. In those circumstances, there is no reason to regard either party's injury as derivative of the other's; each is directly and independently harmed by the attack on its merchandise.

In addition, Static Control adequately alleged proximate causation by alleging that it designed, manufactured, and sold microchips that both (1) were necessary for, and (2) had no other use than, refurbishing Lexmark toner cartridges. It follows from that allegation that any false advertising that reduced the remanufacturers' business necessarily injured Static Control as well. Taking Static Control's assertions at face value, there is likely to be something very close to a 1:1 relationship between the number of refurbished Prebate cartridges sold (or not sold) by the remanufacturers and the number of Prebate microchips sold (or not sold) by Static Control. "Where the injury alleged is so integral an aspect of the [violation] alleged, there can be no question" that proximate cause is satisfied. [Citation].

To be sure, on this view, the causal chain linking Static Control's injuries to consumer confusion is not direct, but includes the intervening link of injury to the remanufacturers. Static Control's allegations therefore might not support standing under a strict application of the "' "general tendency" '" not to stretch proximate causation "' "beyond the first step." ' [Citation]. But the reason for that general tendency is that there ordinarily is a "discontinuity" between the injury to the direct victim and the injury to the indirect victim, so that the latter is not surely attributable to the former (and thus also to the defendant's conduct), but might instead have resulted from "any number of [other] reasons." [Citation]. That is not the case here. Static Control's allegations suggest that if the remanufacturers sold 10,000 fewer refurbished cartridges because of Lexmark's false advertising, then it would follow more or less automatically that Static Control sold 10,000 fewer microchips for the same reason, without the need for any "speculative . . . proceedings" or "intricate, uncertain inquiries." [Citation]. In these relatively unique

circumstances, the remanufacturers are not "more immediate victim[s]" than Static Control. [Citation].

Although we conclude that Static Control has alleged an adequate basis to proceed under §1125(a), it cannot obtain relief without evidence of injury proximately caused by Lexmark's alleged misrepresentations. We hold only that Static Control is entitled to a chance to prove its case.

**Belmora, LLC v. Bayer Consumer Care AG**, 819 F.3d 697 (4th Cir. 2016). Belmora introduced a line of analgesic products in the United States under the FLANAX brandname in 2002. Belmora's packaging of its FLANAX products closely resembled the trade dress of Bayer's FLANAX analgesics, which Bayer sold only in Mexico. Bayer contended that Belmora used the FLANAX mark to deliberately deceive Mexican–American consumers into thinking they were purchasing Bayer's product. Applying *Lexmark* to assess whether Bayer had standing to sue Belmora for false designation of origin in violation of Lanham Act sec. 43(a)(1)(A), and for false advertising under sec. 43(a)(1)(B), the district court ruled that Bayer's interests did not fall within the same zone of interests Congress intended to protect under that provision, and that Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Bayer lacked a protectable interest because it had no trademark rights in the U.S., having used the mark only in Mexico. The Fourth Circuit reversed.

> [T]he plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses "infringement." 15 U.S.C. § 1114 (requiring for liability the "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation *of a registered mark* " (emphasis added)). Under § 43(a), it is the defendant's use in commerce—whether of an offending "word, term, name, symbol, or device" or of a "false or misleading description [or representation] of fact"—that creates the injury under the terms of the statute. And here the alleged offending "word, term, name, symbol, or device" is Belmora's FLANAX mark.
>
> What § 43(a) does require is that Bayer was "likely to be damaged" by Belmora's "use[ ] in commerce" of its FLANAX mark and related advertisements. [Summary of *Lexmark* omitted] . . .
>
> We first address the position, pressed by Belmora and adopted by the district court, that a plaintiff must have initially used its own mark in commerce within the United States as a condition precedent to a § 43(a) claim. In dismissing [Bayer's] § 43(a) claims, the district

court found dispositive that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States." Upon that ground, the district court held "that Bayer does not possess a protectable interest in the [FLANAX] mark."

As noted earlier, such a requirement is absent from § 43(a)'s plain language and its application in *Lexmark*. Under the statute, the defendant must have "use[d] in commerce" the offending "word, term, name, [or] symbol," but the plaintiff need only "believe[ ] that he or she is or is likely to be damaged by such act." Lanham Act § 43(a), 15 U.S.C. § 1125(a).

It is important to emphasize that this is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act's infringement provision in § 32 (which authorizes suit only "by the registrant," and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a). [Citation.]

Given that *Lexmark* advises courts to adhere to the statutory language, "apply[ing] traditional principles of statutory interpretation," *Lexmark*, 134 S.Ct. at 1388, we lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in *Lexmark* can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

The district court thus erred in requiring Bayer, as the plaintiff, to have pled its prior use of its own mark in U.S. commerce when it is the defendant's use of a mark or misrepresentation that underlies the § 43(a) unfair competition cause of action. Having made this foundational error, the district court's resolution of the issues requires reversal.[6]

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[6] Even though the district court's error in transposing § 43(a)'s requirements for a defendant's actions upon the plaintiff skews the entire analysis, the district court also confused the issues by ill-defining the economic location of the requisite unfair competition acts. [A] defendant's false association or false advertising conduct under § 43(a) must occur in "commerce within the control of Congress." Such commerce is not limited to purchases and sales within the territorial limits of the United States as the district court seems to imply at times with regard to § 43(a) and § 14(3) claims. [Citations.] Instead, as we explained in *International Bancorp*, Lanham Act "commerce" includes, among other things,

. . .

In sum, the Lanham Act's plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim. The Supreme Court's guidance in *Lexmark* does not allude to one, and our prior cases either only assumed or articulated as dicta that such a requirement existed. Thus, the district court erred in imposing such a condition precedent upon Bayer's claims.[8]

As Bayer is not barred from making a § 43(a) claim, the proper *Lexmark* inquiry is twofold. Did the alleged acts of unfair competition fall within the Lanham Act's protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury? . . .

i.

As to the zone of interests, *Lexmark* advises that "[m]ost of the [Lanham Act's] enumerated purposes are relevant to false-association cases." 134 S.Ct. at 1389. One such enumerated purpose is "making actionable the deceptive and misleading use of marks" in "commerce within the control of Congress." Lanham Act § 45, 15 U.S.C. § 1127; [citation]. As pled, [Bayer's] false association claim advances that purpose.

The complaint alleges Belmora's misleading association with [Bayer's] FLANAX has caused [Bayer] customers to buy the Belmora FLANAX in the United States instead of purchasing [Bayer's] FLANAX in Mexico. For example, the complaint alleges that [Bayer] invested heavily in promoting its FLANAX to Mexican citizens or Mexican–Americans in border areas. Those consumers cross into the United States and may purchase Belmora FLANAX here before returning to

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"foreign trade" and is not limited to transactions solely within the borders of the United States. *Int'l Bancorp*, 329 F.3d at 364. Of course, any such "foreign trade" must satisfy the *Lexmark* "zone of interests" and "proximate cause" requirements to be cognizable for Lanham Act purposes.

[8] A plaintiff who relies only on foreign commercial activity may face difficulty proving a cognizable false association injury under § 43(a). A few isolated consumers who confuse a mark with one seen abroad, based only on the presence of the mark on a product in this country and not other misleading conduct by the mark holder, would rarely seem to have a viable § 43(a) claim. The story is different when a defendant, as alleged here, has—as a cornerstone of its business—intentionally passed off its goods in the United States as the same product commercially available in foreign markets in order to influence purchases by American consumers. [Citation.] Such an intentional deception can go a long way toward establishing likelihood of confusion. [Citation.]

Mexico. And Mexican–Americans may forego purchasing the FLANAX they know when they cross the border to visit Mexico because Belmora's alleged deception led them to purchase the Belmora product in the United States.

In either circumstance, [Bayer] loses sales revenue because Belmora's deceptive and misleading use of FLANAX conveys to consumers a false association with [Bayer's] product. Further, by also deceiving distributors and vendors, Belmora makes its FLANAX more available to consumers, which would exacerbate [Bayer's] losses. See J.A. 196 (stating in a brochure for distributors that "Flanax is now made in the U.S." and "acts as a powerful attraction for Latinos"); J.A. 410 (noting a distributor's concern that the product "is legal to sell in the US"). In each scenario, the economic activity would be "within the control of Congress" to regulate. Lanham Act § 45, 15 U.S.C. § 1127.

We thus conclude that [Bayer] has adequately pled a § 43(a) false association claim for purposes of the zone of interests prong. Its allegations reflect the claim furthers the § 45 purpose of preventing "the deceptive and misleading use of marks" in "commerce within the control ofCongress."

ii.

Turning to *Lexmark*'s second prong, proximate cause, [Bayer] has also alleged injuries that "are proximately caused by [Belmora's] violations of the [false association] statute." 134 S.Ct. at 1390. The complaint can fairly be read to allege "economic or reputational injury flowing directly from the deception wrought by the defendant's" conduct. Id. at 1391. [The court found that the same facts Bayer alleged in connection with the zone of interest also sufficiently alleged proximate causation.] . . .

[Bayer] may ultimately be unable to prove that Belmora's deception "cause[d] [these consumers] to withhold trade from [Bayer]" in either circumstance, *Lexmark*, 134 S.Ct. at 1391, but at the initial pleading stage we must draw all reasonable factual inferences in BCC's[Bayer's] favor. [Citation.] Having done so, we hold [Bayer] has sufficiently pled a § 43(a) false association claim to survive Belmora's Rule 12(b)(6) motion. The district court erred in holding otherwise.

. . .

**Page 814. Renumber Questions 1 and 2 as 2 and 3, and insert new Question 1:**

**1.** Suppose the geographic facts had been reversed, that the defendant held a U.S. trademark registration, and was exploiting the mark in Mexico, in conflict with the plaintiff's Mexican registration of the same mark, and allegedly confusing consumers in Mexico. Would the Mexican trademark owner have standing to bring a Lanham Act unfair competition claim in the U.S. against the U.S. trademark owner?

# Chapter 11

# INTERNET DOMAIN NAMES

## B. ANTICYBERSQUATTING CONSUMER PROTECTION ACT

**Page 824. Add after text of ACPA:**

**QUESTION**

What is a "domain name" under the ACPA? Only the character string immediately preceding the TLD? For example, wordpress.com is the domain name of a blog hosting site. Are the URLs of the hosted blogs also domain names? If a blog's URL includes a third party trademark without authorization, for example, https://ronkramermusclebeach.wordpress.com, is the blogger subject to suit under the ACPA? See *Thermolife Int'l. LLC v. https://ronkramermusclebeach.wordpress.com*, No. 5-15-cv-01616-HRL (N.D. Cal. June 18, 2015), https://scholar.google.com/scholar_case?q=ronkramermusclebeach&hl=en&as_sdt=80000006&case=14508712363050255245.

**Page 840. Add after *GoPets v. Hise*, before *Verizon California Inc. v. Navigation Catalyst Sys., Inc.*:**

**Jysk Bed'N Linen v. Dutta-Roy**, 810 F.3d 767 (11th Cir. 2015). The Eleventh Circuit declined to adopt the Ninth Circuit's ruling that the ACPA dd not cover domain namere-registrations:

> Two of our sister circuits have provided divergent answers to this question. The Third Circuit, in *Schmidheiny v. Weber*, 319 F.3d 581 (3d Cir. 2003), found that a re-registration falls within the registration hook of the ACPA. [Citation.] It explained that "the language of the statute does not limit the word''registration' to the narrow concept of 'creation registration'" and that "[t]he words 'initial' and 'creation' appear nowhere in [the statute]." [Citation.] The Third Circuit likened the registration of the domain name to a contract between the registrar and the registrant, and specifically held "that the word 'registration' includes a new contract at a different registrar and to a different registrant." [Citation.]
>
> The Ninth Circuit came to the opposite conclusion in *GoPets Ltd.v. Hise*, 657 F.3d 1024 (9th Cir. 2011), holding that a re-registration is not a registration for purposes of the ACPA. [Citation.]

The Ninth Circuit viewed the domain-name registration through the lens of property law, rather than through the Third Circuit's analogy to contract law. [Citation.] It reasoned that a registrant owns a property right in the domain name when he registers it, and therefore he is entitled to transfer that property to another owner. [Citation.] "The general rule is that a property owner may sell all of the rights he holds in property." [Citation.] The Ninth Circuit worried that if it were to hold that a re-registration fell within the purview of the Act, it "would make rights to many domain names effectively inalienable, whether the alienation is by gift, inheritance, sale or other form of transfer." [Citation.]

We agree with the Third Circuit. The Act does not define the term register. The Act nowhere contains the qualifications of initial or creation when it refers to the act of registering. It refers simply to a registration, and a re-registration is, by definition, a registration. To "re-register" is "[t]o register again." Re-register, v., Oxford English Dictionary (2015). . . .

Including re-registrations under the registration hook comports with the purpose of Congress in enacting the ACPA—to prevent cybersquatting. See *Southern Grouts & Mortars, Inc.*, 575 F.3d at 1246-47 ("Registering a famous trademark as a domain name and then offering it for sale to the trademark owner is exactly the wrong Congress intended to remedy when it passed the ACPA." [Citation.] It would be nonsensical to exempt the bad-faith re-registration of a domain name simply because the bad-faith behavior occurred during a noninitial registration, thereby allowing the exact behavior that Congress sought to prevent.

We accordingly will not read additional words into the statute such as initial or creation. The plain meaning of register includes a re-registration. The District Court correctly held that a re-registration falls within the purview of the ACPA.

**Page 864. Add after excerpt from Lipton article:**

**QUESTION**

Is there a nominative fair use defense to section 43(d)? Consider the following: your client, "Ikeahackers" operates a website, under the domain name ikeahackers.com, for people who create new furniture (or improbable objects) by taking apart and recombining pieces of their Ikea furniture. "The ideas range from simply adding decorations to make a piece look unique to major revamps that

require 'power tools and lots of ingenuity.'" http://arstechnica.com/tech-policy/2014/06/ikea-waits-8-years-then-shuts-down-ikeahackers-site-with-trademark-claim/. The site does not sell anything, but carries advertising. Ikea has sent a letter demanding that your client cease using "ikea" in its domain name. What do you advise?

**3. Secondary Liability. Replace subsection title with new title: "Indirect Liability for Cybersquatting?"**

**Pages 865-71. Replace *Solid Host, NL v. Namecheap, Inc.* and *Microsoft v Shah*, and paragraph following, with the following:**

**PETROLIAM NASIONAL BERHAD v. GODADDY.COM, INC.**
737 F.3d 546 (9th Cir. 2013)

M. SMITH, CIRCUIT JUDGE:

In this appeal, Petroliam Nasional Berhad (Petronas) requests that we read a cause of action for contributory cybersquatting into the Anticybersquatting Consumer Protection Act (ACPA or Act), 15 U.S.C. § 1125(d). Because we conclude that neither the plain text nor the purpose of the ACPA provide support for such a cause of action, we hold that there is none. We therefore affirm the judgment of the district court.

FACTS AND PRIOR PROCEEDINGS

Petrolium Nasional Berhad (Petronas) is a major oil and gas company with its headquarters in Kuala Lumpur, Malaysia. Petronas owns the trademark to the name "PETRONAS." Godaddy.com, Inc. (GoDaddy) is the world's largest domain name registrar, maintaining over 50 million domain names registered by customers around the world. GoDaddy also provides domain name forwarding services, which, like its registration service, enables Internet users who type in a particular domain name to arrive at the target site specified by GoDaddy's customer, the registrant.

In 2003, a third party registered the domain names "petronastower.net" and "petronastowers.net" through a registrar other than GoDaddy. In 2007, the owner of those names transferred its registration service to GoDaddy. The registrant used GoDaddy's domain name forwarding service to direct the disputed domain names to the adult web site, "camfunchat.com," which was hosted on a web server maintained by a third party, and which had been associated with the disputed domain names, using the previous registrar.

. . .

Petronas sued GoDaddy in the United States District Court for the Northern District of California on a number of theories, including cybersquatting under 15 U.S.C. § 1125(d), and contributory cybersquatting. . . .

Our first obligation in determining whether the ACPA includes a contributory cybersquatting claim is to examine the plain text of the statute. [Citation]. Established common law principles can be inferred into a cause of action where circumstances suggest that Congress intended those principles to apply. [Citations].

We hold that the ACPA does not include a cause of action for contributory cybersquatting because: (1) the text of the Act does not apply to the conduct that would be actionable under such a theory; (2) Congress did not intend to implicitly include common law doctrines applicable to trademark infringement because the ACPA created a new cause of action that is distinct from traditional trademark remedies; and (3) allowing suits against registrars for contributory cybersquatting would not advance the goals of the statute.

I. The Plain Text of the ACPA Does Not Provide a Cause of Action for Contributory Cybersquatting

. . .

The ACPA imposes civil liability for cybersquatting on persons that "register[], traffic[] in, or use[] a domain name" with the "bad faith intent to profit" from that protected mark. 15 U.S.C. § 1125(d)(1)(A). The plain language of the statute thus prohibits the act of cybersquatting, but limits when a person can be considered to be a cybersquatter. *Id.* The statute makes no express provision for secondary liability. *Id.* Extending liability to registrars or other third parties who are not cybersquatters, but whose actions may have the effect of aiding such cybersquatting, would expand the range of conduct prohibited by the statute from a bad faith intent to cybersquat on a trademark to the mere maintenance of a domain name by a registrar, with or without a bad faith intent to profit. This cuts against finding a cause of action for contributory cybersquatting. [Citation].

Furthermore, "Congress knew how to impose [secondary] liability when it chose to do so." [Citation]. Congress chose not to impose secondary liability under the ACPA, despite the fact that the availability of such remedies under traditional trademark liability should have increased the salience of that issue. [Citations].

Petronas argues that the liability limiting language in Section 1114(2)(D)(iii) indicates that Congress intended 15 U.S.C. § 1125(d)(1)(A) to create a cause of action for secondary liability. Section 1114(2)(D)(iii) provides that "[a] domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name." By its terms, Section 1114(2)(D)(iii), applies only to "this section," meaning Section 1114. Section

1114, in turn, sets out remedies for the entire Lanham Act, including actions brought under Section 1125(a), which indisputably includes a cause of action for contributory infringement. [Citation]. Thus, the limitations on secondary liability in Section 1114 are equally consistent with the existence or absence of a cause of action for contributory cybersquatting under Section 1125(d). [Citation].

Furthermore, the legislative history of the ACPA establishes that Section 1114(2)(D)(iii) was intended to codify the protection that we granted registrars in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984-985 (9th Cir. 1999), which considered secondary liability of registrars for trademark infringement under 15 U.S.C. § 1125(a). S. Rep. 106-140 at 11 ("The bill, as amended, also promotes the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name." (*citing, inter alia, Lockheed*, 141 F. Supp. 2d 648)). Section 1114(2)(D)(iii) thus does not suggest that Congress intended to include a cause of action for contributory cybersquatting in Section 1125(d).

II. The ACPA Created a New and Distinct Cause of Action

Petronas next argues that Congress incorporated the common law of trademark, including contributory infringement, into the ACPA. Petronas observes that a number of district courts have relied on this reasoning in finding a cause of action for contributory cybersquatting. See *Verizon Cal., Inc. v. Above.com Pty Ltd.*, 881 F. Supp. 2d 1173, 1176-79 (C.D. Cal. 2011); *Microsoft Corp. v. Shah*, No. 10-0653, 2011 U.S. Dist. LEXIS 2995, 2011 WL 108954, at *1-3 (W.D. Wash. Jan. 12, 2011); *Solid Host, NL v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1111-12 (C.D. Cal. 2009); *Ford Motor Co. v. Greatdomains.com, Inc.*, 177 F. Supp. 2d 635, 646-47 (E.D. Mich. 2001). We are not persuaded by such reasoning.

"[W]hen Congress enacts a statute under which a person may sue and recover damages from a private defendant for the defendant's violation of some statutory norm, there is no general presumption that the plaintiff may also sue aiders and abettors." [Citation]. Contributory liability has, however, been applied to trademark infringement under the Lanham Act. [Citation]. Petronas argues that by legislating against this background, and by placing the ACPA within the Lanham Act, Congress intended to include within the ACPA a cause of action for contributory cybersquatting. [Citation]. We disagree.

Although there is no general presumption of secondary liability, [citation], courts can infer such a cause of action where circumstances suggest that Congress intended to incorporate common law principles into a statute. The circumstances surrounding the passage of the Lanham Act support such an inference, as has been recognized by the Supreme Court. [Citation]. The circumstances surrounding the enactment of the ACPA, however, do not support the inference that Congress

intended to incorporate theories of secondary liability into that Act. Accordingly, we conclude that the ACPA did not incorporate principles of secondary liability.

Prior to the enactment of the Lanham Act, the Supreme Court incorporated a common law theory of contributory liability into the law of trademarks and unfair competition. [Citation]. The Lanham Act then codified the existing common law of trademarks. [Citations]. In light of the Lanham Act's codification of common law principles, including contributory liability, the Supreme Court concluded that a plaintiff could re-cover under the Act for contributory infringement of a trademark. [Citation].

By contrast, the ACPA did not result from the codification of common law, much less common law that included a cause of action for secondary liability. Rather, the ACPA created a new statutory cause of action to address a new problem: cybersquatting. S. Rep. 106-140 at 7 (noting that "[c]urrent law does not expressly prohibit the act of cybersquatting").

Consistent with their distinct purposes, claims under traditional trademark law and the ACPA have distinct elements. Traditional trademark law only restricts the commercial use of another's protected mark in order to avoid consumer confusion as to the source of a particular product. [Citations]. Cybersquatting liability, however, does not require commercial use of a domain name involving a protected mark. [Citation]. Moreover, to succeed on a claim for cybersquatting, a mark holder must prove "bad faith" under a statutory nine factor test. 15 U.S.C. § 1125(d)(1)(B). No analogous requirement exists for traditional trademark claims. [Citations].

These differences highlight the fact that the rights created in the ACPA are distinct from the rights contained in other sections of the Lanham Act, and do not stem from the common law of trademarks. Accordingly we decline to infer the existence of secondary liability into the ACPA based on common law principles. [Citation].

III. Finding a Cause of Action for Contributory Cybersquatting would not Further the Goals of the Statute

Congress enacted the ACPA in 1999 in order to "protect consumers . . . and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks . . . ." S. Rep. No. 106-140 at 4. The ACPA is a "carefully and narrowly tailored" attempt to fix this specific problem. Id. at 12-13. To this end, the statute imposes a number of limitations on who can be liable for cybersquatting and in what circumstances, including a bad faith requirement, and a narrow definition of who "uses" a domain name. 15 U.S.C. §§ 1125(d)(1)(A)(i), 1125(d)(1)(B), 1125(d)(1)(D). Imposing secondary liability on domain name registrars would expand the scope of the Act and seriously undermine both these limiting provisions.

Recognizing this risk, some of the district courts that have recognized a cause of action for contributory liability have required that a plaintiff show "exceptional circumstances" in order to hold a registrar liable under that theory. *See Above.com Pty Ltd.*, 881 F. Supp. 2d at 1178; *Shah*, 2011 U.S. Dist. LEXIS 2995, 2011 WL 108954, at *2; Greatdomains.com, Inc., 177 F. Supp. 2d at 647. This "exceptional circumstances" test has no basis in either the Act, or in the common law of trademark. Rather than attempt to cabin a judicially discovered cause of action for contributory cybersquatting with a limitation created out of whole cloth, we simply decline to recognize such a cause of action in the first place.

Limiting claims under the Act to direct liability is also consistent with the ACPA's goal of ensuring that trademark holders can acquire and use domain names without having to pay ransom money to cybersquatters. Because direct cybersquatting requires subjective bad faith, focusing on direct liability also spares neutral third party service providers from having to divine the intent of their customers. In order for a service provider like GoDaddy, with clients holding over 50 million domain names, to avoid contributory liability, it would presumably have to analyze its customer's subjective intent with respect to each domain name, using the nine factor statutory test. 15 U.S.C. § 1125(d)(1)(B). Despite that nearly impossible task, service providers would then be forced to inject themselves into trademark and domain name disputes. Moreover, imposing contributory liability for cybersquatting would incentivize "false positives," in which the lawful use of a domain name is restricted by a risk-averse third party service provider that receives a seemingly valid take-down request from a trademark holder. Entities might then be able to assert effective control over domain names even when they could not successfully bring an ACPA action in court.

When actionable cybersquatting occurs, mark holders have sufficient remedies under the ACPA without turning to contributory liability. In addition to the provisions imposing civil liability on cybersquatters, 15 U.S.C. § 1125(d)(1)(A), the ACPA authorizes an in rem action against a domain name if the registrant is not available to be sued personally. 15 U.S.C. § 1125(d)(2)(A). Finally, trademark holders may still bring claims for traditional direct or contributory trademark infringement that arises from cybersquatting activities. 15 U.S.C. § 1125(d)(3).

## QUESTIONS

**1.** Even if claims against cybersquatting are only statutory, why does it follow that courts should not apply common law-based claims for derivative liability to statutory claims for primarily liability?

**2.** The Ninth Circuit emphasizes Congress' concern to immunize domain name registrars from liability, "absent a showing of bad faith intent to profit from such registration or maintenance of the domain name". Could such a showing be made with respect to a registrar? If so, could there be a claim for secondary liability?

**Page 873. In Question 2 following Note: Liability of Domain Name Brokers and Domain Name Auctioneers**, replace citation to *Academy of Motion Pictures Arts & Sciences v. GoDaddy.com*, Inc., CV 10-3738 ABC (CWx) (C.D. Cal. 2010) with citation to later decision in same controversy: *Acad. of Motion Picture Arts & Scis. v. GoDaddy.com, Inc.*, 2015 U.S. Dist. LEXIS 120871 (C.D. Cal. September 10, 2015).

**Page 881. Add after Questions:**

**NOTE: PERSONAL JURISDICTION IN CYBERSQUATTING CASES**

The ACPA's provisions on *in rem* jurisdiction provide a response to one of the jurisdictional problems arising out of alleged cybersquatting activity, enabling actions against a multiplicity of registrations of related domain names. Suits against individual cybersquatters remain governed by Federal Rule of Civil Procedure 4, which in turn references state long arm statutes and constitutional norms of minimum contacts. The application of these norms was tested in **Bittorent Inc. v. Bittorrent Mktg GmbH,** 2014 U.S. Dist. LEXIS 157593 (N.D. Cal. Nov. 5, 2014), involving a claim against a German national whom Bittorrent Inc. alleged had registered the domain name bittorent.net to compete with Bittorrent Inc.'s products and services by capitalizing on misdirected users, who paid for services that they did not in fact receive.

The Court notes that cybersquatting, as is alleged here, has always been subject to a somewhat different personal jurisdiction analysis:

> Although jurisdiction questions in most ordinary domain name disputes are analyzed according to the three-part [Calder] test . . . a special jurisprudence seems to have developed for cases involving so-called "cybersquatters" or "cyberpirates." In a substantial number of cases, these so-called "cyberpirates" or "cybersquatters" will purposely register the trademark of a well-known corporation as a domain name with the intention of later selling that domain name to the corporation for an extraordinary profit. . . . [C]ybersquatting cases have developed their own statutory and court-made rules.

4A Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure Civil § 1073.1 (Personal Jurisdiction and the Internet) (3d

> ed. 2002). As such, courts have routinely found the existence of specific personal jurisdiction where the defendant's alleged conduct amounts to a scheme targeted at a trademark owner designed to extort money from the mark owner for domain names that capitalize on typographical errors and user confusion. [Citations] Such is the case here.
>
> Taking allegations in the Complaint as true and drawing reasonable inferences in Plaintiff's favor, there is no question that Plaintiff has alleged that Defendant intentionally engaged in a scheme to infringe Plaintiff's famous mark and force Plaintiff to pay ransom for the Infringing Domain Names. Even when Defendant offered digital download products and services on the Infringing Domain Names, such offers were deceptive because paying customers would not actually receive the purchased services. Such conduct evinces an intent to intentionally diminish the value of Plaintiff's trademark through customer confusion and frustration and, in turn, force Plaintiff to eliminate such blemishes on its trademark by acquiring the Infringing Domain Names from Defendant. Through this scheme, Defendant's use of the Infringing Domain Names put Plaintiff's "name and reputation at [its] mercy," thereby causing injury to Plaintiff in California. *Panavision*, 141 F.3d at 1327.
>
> . . .
>
> Exercising specific personal jurisdiction over a cybersquatter who, as here, knowingly registers confusingly similar domain names in a scheme to extort money from a trademark owner does not give rise to de facto universal jurisdiction. [Citation.] The cybersquatter is subject to suit in the forum where the trademark owner is located and experiences the brunt of the injury to its trademark. In this case, that would be California, where Plaintiff is incorporated and maintains its principal place of business. Because Plaintiff was the target of Defendant's scheme to extract money in exchange for domain names that incorporate Plaintiff's trademark, Defendant's contact with California is "not based on the 'random, fortuitous, or attenuated' contacts [it] makes by interacting with other persons affiliated with the State," but rather by its extortion scheme expressly aimed at Plaintiff in Plaintiff's principal place of business. [Citation.]
>
> Based on the foregoing, the Court concludes that Defendant has "purposefully directed" its conduct at California.

The court further found that Bittorent Inc.'s claims arose out of Bittorent GmbH's forum-related activities, and that exercising jurisdiction over Bittorent GmbH was reasonable "because Defendant interjected itself into California by targeting a California company through its elaborate cybersquatting and typosquatting scheme."

**Page 905. Add new Question 4:**

**4.** In *Google, Inc. v. Gillespie*, http://www.adrforum.com/domaindecisions/1434643.htm (NAF 2012), Google, Inc., succeeded in its UDRP action to cancel over 100 domain names incorporating the term "google." A later stage of the controversy, in which Gillespie alleged that "google" had become generic for internet search, appears in this Supplement, *Elliot v. Google, Inc.*, 45 F. Supp. 3d 1156 (D. Az. 2014), *supra* Chapter 5. Should a domain name registrant's assertion that a trademark incorporated into a domain name has become generic figure in UDRP determinations? If so, how?

**Page 915. Sallen v. Corinthians, first paragraph, line 4, should read:**

Sallen filed suit under section 32(2)(D)(v).

# Chapter 12

# REMEDIES

## A. INJUNCTIVE RELIEF

### 1. Injunctions

**Page 925. Delete *Nova Wines, Inc. v. Adler* and add the following case:**

**HERB REED ENTERPRISES, LLC v. FLORIDA ENTERTAINMENT MANAGEMENT, INC.**
736 F.3d 1239 (9th Cir. 2013)

MCKEOWN, CIRCUIT JUDGE:

"The Platters"--the legendary name of one of the most successful vocal performing groups of the 1950s--lives on. With 40 singles on the Billboard Hot 100 List, the names of The Platters' hits ironically foreshadowed decades of litigation--"Great Pretender," "Smoke Gets In Your Eyes," "Only You," and "To Each His Own." Larry Marshak and his company Florida Entertainment Management, Inc. (collectively "Marshak") challenge the district court's preliminary injunction in favor of Herb Reed Enterprises ("HRE"), enjoining Marshak from using the "The Platters" mark in connection with any vocal group with narrow exceptions. We consider an issue of first impression in our circuit: whether the likelihood of irreparable harm must be established--rather than presumed, as under prior Ninth Circuit precedent--by a plaintiff seeking injunctive relief in the trademark context. In light of Supreme Court precedent, the answer is yes, and we reverse the district court's order granting the preliminary injunction.

BACKGROUND

The Platters vocal group was formed in 1953, with Herb Reed as one of its founders. Paul Robi, David Lynch, Zola Taylor, and Tony Williams, though not founders, have come to be recognized as the other "original" band members. The group became a "global sensation" during the latter half of the 1950s, then broke up in the 1960s as the original members left one by one. After the break up, each member continued to perform under some derivation of the name "The Platters." *Marshak v. Reed,* No. 96 CV 2292(NG)(MLO), 2001 U.S. Dist. LEXIS 880, 2001 WL 92225, at *4 (E.D.N.Y. and S.D.N.Y. Feb. 1, 2001) ("Marshak I").

Litigation has been the byproduct of the band's dissolution; there have been multiple legal disputes among the original members and their current and former

managers over ownership of "The Platters" mark. Much of the litigation stemmed from employment contracts executed in 1956 between the original members and Five Platters, Inc. ("FPI"), the company belonging to Buck Ram, who became the group's manager in 1954. As part of the contracts, each member assigned to FPI any rights in the name "The Platters" in exchange for shares of FPI stock. *Marshak I,* 2001 U.S. Dist. LEXIS 880, 2001 WL 92225, at *3. According to Marshak, FPI later transferred its rights to the mark to Live Gold, Inc., which in turn transferred the rights to Marshak in 2009. Litigation over the validity of the contracts and ownership of the mark left a trail of conflicting decisions in various jurisdictions, which provide the backdrop for the present controversy. What follows is a brief summary of the tangled web of multi-jurisdictional litigation that spans more than four decades.

In 1972, FPI sued Robi and Taylor for trademark infringement in California, resulting in a 1974 judgment in Robi's favor, which held that FPI "was a sham used by Mr. Ram to obtain ownership of the name 'Platters.'" *Robi v. Five Platters, Inc.,* 838 F.2d 318, 320 (9th Cir. 1988) ("Robi I") (*quoting* the 1974 decision). We upheld the judgment in favor of Robi, *id.* at 330, and later affirmed the district court's award of compensatory and punitive damages to Robi as well as its cancellation of FPI's three registered trademarks using the words "The Platters." *Robi v. Five Platters, Inc.,* 918 F.2d 1439, 1441 (9th Cir. 1990) ("Robi II").

In 1984, FPI sued Reed for trademark infringement in the Southern District of Florida. *Marshak I,* 2001 U.S. Dist. LEXIS 880, 2001 WL 92225, at *9. *Id.* . . . Preferring to avoid trial, Reed signed a court-approved stipulation of settlement in 1987, under which he assigned to FPI all rights he had in FPI stock, retained the right to perform as "Herb Reed and the Platters," and agreed not to perform under the name "The Platters." However, the settlement included an "escape clause":

> In the event that a court of competent jurisdiction enters a final order with all appeals being exhausted that provides that The Five Platters, Inc. has no right in the name "The Platters," then nothing contained herein shall be construed to limit Herbert Reed's rights in the name "The Platters" and this agreement shall not inure to any party other than The Five Platters, Inc., and its successors and assigns or Herbert Reed.

A key question is whether the escape clause has now been triggered.

In 2001, Marshak, FPI, and other plaintiffs sued Reed . . . for trademark infringement in the Eastern District of New York; Reed counterclaimed, also alleging trademark infringement. *Marshak I,* 2001 U.S. Dist. LEXIS 880, 2001 WL 92225, at *1. The court interpreted the 1987 settlement as "barr[ing] Reed from asserting that he has any right to the name 'The Platters' as against FPI or those claiming through FPI except as specifically allowed in that agreement, or from otherwise interfering with plaintiffs' rights to the use of 'The Platters.'" [Citation.] The court determined that the settlement's escape clause had not been triggered either by *Robi I*, because the Ninth Circuit reversed the judgment in favor of Williams indicating that FPI still

had some rights to "The Platters" mark, or by *Robi II*, because cancellation of FPI's federal mark registration did not resolve the question whether FPI was entitled to use the name "The Platters." [Citation.] The district court enjoined Reed from, among other things, interfering with FPI and Marshak's use of the name "The Platters" except as permitted in the 1987 settlement ("the 2001 injunction"). " [Citation.] The Second Circuit affirmed. *Marshak v. Reed,* 13 F. App'x 19 (2d Cir. 2001).

. . .

HRE, which manages Reed's business affairs and holds his rights, sued FPI and other defendants for trademark infringement in the District of Nevada in 2010. To get around the restrictions in the 1987 settlement, HRE creatively alleged that it owned the "Herb Reed and the Platters" mark and that defendants used a confusingly similar mark, namely "The Platters." *Herb Reed Enters., Inc. v. Bennett,* No. 2:10-CV-1981 JCM (RJJ), 2011 U.S. Dist. LEXIS 9212, 2011 WL 220221, at *1 (D. Nev. Jan. 21, 2011). . . . The action resulted in a 2011 default judgment and permanent injunction declaring that (1) FPI "never used the mark 'The Platters' in a manner that [was] not false and misleading and thus never acquired common law rights to the mark," and (2) "Reed, having first used the mark 'The Platters' in commerce in 1953, and having continuously used the mark in commerce since then has superior rights to the mark to all others," including FPI and "anyone claiming rights from or through" FPI. *Herb Reed Enters., Inc. v. Monroe Powell's Platters, LLC,* 842 F. Supp. 2d 1282, 1287 (D. Nev. 2012) (*quoting* the 2011 judgment).

In 2012, HRE successfully obtained a preliminary injunction against Monroe Powell, FPI's former performer employee, and his company in a trademark infringement action in the District of Nevada. *Id.* at 1284. Because Powell claimed to have acquired rights to "The Platters" mark through FPI, there was a question as to whether the 1987 settlement limited Reed's ability to pursue a remedy. The district court held that, "even assuming that the 1987 stipulation applies, the escape clause has been triggered and no longer bars Reed from suing FPI or those claiming through FPI for trademark infringement." *Id.* at 1288. The court reasoned that the 2011 Nevada default judgment, which "determined that FPI 'has no right in the name "The Platters"' as required by the 1987 stipulation," was "a final order with all appeals being exhausted" because the judgment was never appealed. *Id.* at 1288-89 (*quoting* the 2011 judgment).

. . .

Last year brought yet another lawsuit. HRE commenced the present litigation in 2012 against Marshak in the District of Nevada, alleging trademark infringement and seeking a preliminary injunction against Marshak's continued use of "The Platters" mark. The district court held that HRE was not precluded from asserting a right in "The Platters" mark either by the 1987 settlement--the escape clause of which had been triggered by the 2011 Nevada default judgment--or by the equitable doctrine of laches. " [Citation.] The district court found that HRE had established a likelihood of success on the merits, a likelihood of irreparable harm, a balance of

hardships in its favor, and that a preliminary injunction would serve public interest. Accordingly, the district court granted the preliminary injunction and set the bond at $10,000. Marshak now appeals from the preliminary injunction.

. . .

To obtain a preliminary injunction, HRE "must establish that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest." *Winter v. Natural Res. Def. Council, Inc.,* 555 U.S. 7, 20, 129 S. Ct. 365, 172 L. Ed. 2d 249 (2008). We review a district court's preliminary injunction for abuse of discretion, a standard of review that is "limited and deferential." *Johnson v. Couturier,* 572 F.3d 1067, 1078 (9th Cir. 2009). If the district court "identified and applied the correct legal rule to the relief requested," we will reverse only if the court's decision "resulted from a factual finding that was illogical, implausible, or without support in inferences that may be drawn from the facts in the record." *United States v. Hinkson,* 585 F.3d 1247, 1263 (9th Cir. 2009) (en banc).

Marshak's key arguments are that the district court erred in concluding that HRE had established a likelihood of success on the merits because Reed abandoned "The Platters" mark and that the district court erred in finding a likelihood of irreparable harm.

A. LIKELIHOOD OF SUCCESS ON THE UNDERLYING TRADEMARK DISPUTE

As to its trademark infringement claim, to establish a likelihood of success on the merits HRE must show that it is "(1) the owner of a valid, protectable mark, and (2) that the alleged infringer is using a confusingly similar mark." *Grocery Outlet, Inc. v. Albertson's, Inc.,* 497 F.3d 949, 951 (9th Cir. 2007) (per curiam). Tellingly, Marshak does not challenge the district court's conclusions on these two points,[4] except by asserting the affirmative defense of abandonment on the alleged basis that Reed abandoned "The Platters" mark by signing the 1987 Florida settlement. But "[a]bandonment of a trademark, being in the nature of a forfeiture, must be strictly proved." [Citation.] The district court did not err in concluding that Marshak failed to meet that burden.

Marshak has not established either of the two requirements of abandonment under 15 U.S.C. § 1127: (1) discontinuance of trademark use, and (2) intent not to resume use. . . . Non-use requires "*complete* cessation or discontinuance of trademark use," where "use" signifies any use in commerce and "includes the

[4] Marshak does not dispute the district court's finding that HRE is the senior user, or the district court's reasoning invaliding Marshak's claims of ownership. Nor does Marshak contest the district court's determination that Marshak's use of "The Platters" mark is confusingly similar to HRE's use of both "The Platters" and "Herb Reed and the Platters" marks according to the Ninth Circuit's test. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 & n.11 (9th Cir. 1979) (describing the factors relevant to determining whether the alleged infringer is using a confusingly similar mark), *abrogated in part on other grounds* by *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 810 (9th Cir. 2003).

placement of a mark on goods sold or transported." *Electro Source, LLC v. Brandess-Kalt-Aetna Grp., Inc*., 458 F.3d 931, 936, 938 (9th Cir. 2006) (emphasis in original). "Even a single instance of use is sufficient against a claim of abandonment of a mark if such use is made in good faith." *Carter-Wallace, Inc. v. Procter & Gamble Co.,* 434 F.2d 794, 804 (9th Cir. 1970).

HRE presented evidence that . . . it continued to receive royalties from the sale of The Platters' previously recorded material. . . . The receipt of royalties is a genuine but limited usage of the mark that satisfies the "use" requirement, especially when viewed within the totality of the circumstances--namely, that Reed was constrained by the settlement. " [Citation.] Receipt of royalties certainly qualifies as placement of "The Platters" mark on goods sold, and supports the finding that there was no abandonment. *See Marshak v. Treadwell,* 240 F.3d 184, 199 (3d Cir. 2001) ("A successful musical group does not abandon its mark unless there is proof that the owner ceased to commercially exploit the mark's secondary meaning in the music industry.") (internal quotation marks and citation omitted).

. . .

We conclude that the record supports the district court's determination that HRE did not abandon "The Platters" mark.

B. LIKELIHOOD OF IRREPARABLE HARM

. . . [T]wo recent Supreme Court cases have cast doubt on the validity of this court's previous rule that the likelihood of "irreparable injury may be presumed from a showing of likelihood of success on the merits of a trademark infringement claim." *Brookfield Communs., Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1066 (9th Cir. 1999) (emphasis added). Since *Brookfield*, the landscape for benchmarking irreparable harm has changed with the Supreme Court's decisions in *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 126 S. Ct. 1837, 164 L. Ed. 2d 641, in 2006, and *Winter* in 2008.

In *eBay*, the Court held that the traditional four-factor test employed by courts of equity, including the requirement that the plaintiff must establish irreparable injury in seeking a permanent injunction, applies in the patent context. 547 U.S. at 391. Likening injunctions in patent cases to injunctions under the Copyright Act, the Court explained that it "has consistently rejected . . . a rule that an injunction automatically follows a determination that a copyright has been infringed," and emphasized that a departure from the traditional principles of equity "should not be lightly implied." *Id.* at 391-93 (citations omitted). The same principle applies to trademark infringement under the Lanham Act. Just as "[n]othing in the Patent Act indicates that Congress intended such a departure," so too nothing in the Lanham Act indicates that Congress intended a departure for trademark infringement cases. *Id.* at 391-92. Both statutes provide that injunctions may be granted in accordance with "the principles of equity." 35 U.S.C. § 283; 15 U.S.C. § 1116(a).

In *Winter*, the Court underscored the requirement that the plaintiff seeking a preliminary injunction "demonstrate that irreparable injury is *likely* in the absence

of an injunction." 555 U.S. at 22 (emphasis in original) (citations omitted). The Court reversed a preliminary injunction because it was based only on a "possibility" of irreparable harm, a standard that is "too lenient." *Id. Winter*'s admonition that irreparable harm must be shown to be likely in the absence of a preliminary injunction also forecloses the presumption of irreparable harm here.

Following *eBay* and *Winter*, we held that likely irreparable harm must be demonstrated to obtain a preliminary injunction in a copyright infringement case and that actual irreparable harm must be demonstrated to obtain a permanent injunction in a trademark infringement action. *Flexible Lifeline Sys. v. Precision Lift, Inc.,* 654 F.3d 989, 998 (9th Cir. 2011); *Reno Air Racing Ass'n, Inc., v. McCord,* 452 F.3d 1126, 1137-38 (9th Cir. 2006). Our imposition of the irreparable harm requirement for a permanent injunction in a trademark case applies with equal force in the preliminary injunction context. [Citation.] We now join other circuits in holding that the *eBay* principle--that a plaintiff must establish irreparable harm--applies to a preliminary injunction in a trademark infringement case. *See N. Am. Med. Corp. v. Axiom Worldwide, Inc.,* 522 F.3d 1211, 1228-29 (11th Cir. 2008); *Audi AG v. D'Amato,* 469 F.3d 534, 550 (6th Cir. 2006) (applying the requirement to a permanent injunction in a trademark infringement action).

Having anticipated that the Supreme Court's decisions in *eBay* and *Winter* signaled a shift away from the presumption of irreparable harm, the district court examined irreparable harm in its own right, explaining that HRE must "establish that remedies available at law, such as monetary damages, are inadequate to compensate" for the injury arising from Marshak's continuing allegedly infringing use of the mark. Although the district court identified the correct legal principle, we conclude that the record does not support a determination of the likelihood of irreparable harm.

Marshak asserts that the district court abused its discretion by relying on "unsupported and conclusory statements regarding harm [HRE] *might* suffer." We agree.

The district court's analysis of irreparable harm is cursory and conclusory, rather than being grounded in any evidence or showing offered by HRE. To begin, the court noted that it "cannot condone trademark infringement simply because it has been occurring for a long time and may continue to occur." The court went on to note that to do so "could encourage wide-scale infringement on the part of persons hoping to tread on the goodwill and fame of vintage music groups." Fair enough. Evidence of loss of control over business reputation and damage to goodwill could constitute irreparable harm. *See, e.g., Stuhlbarg Int'l Sales Co., Inc. v. John D. Brush and Co., Inc.,* 240 F.3d 832, 841 (9th Cir. 2001) (holding that evidence of loss of customer goodwill supports finding of irreparable harm). Here, however, the court's pronouncements are grounded in platitudes rather than evidence, and relate neither to whether "irreparable injury is *likely* in the absence of an injunction," *Winter,* 555 U.S. at 22, nor to whether legal remedies, such as money damages, are inadequate in this case. It may be that HRE could establish the likelihood of irreparable harm. But missing from this record is any such evidence.

. . .

Even if we comb the record for support or inferences of irreparable harm, the strongest evidence . . . is an email from a potential customer complaining to Marshak's booking agent that the customer wanted Herb Reed's band rather than another tribute band. This evidence, however, simply underscores customer confusion, not irreparable harm.

The practical effect of the district court's conclusions, which included no factual findings, is to reinsert the now-rejected presumption of irreparable harm based solely on a strong case of trademark infringement. Gone are the days when "[o]nce the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue." *Rodeo Collection, Ltd. v. W. Seventh*, 812 F.2d 1215, 1220 (9th Cir. 1987) (citing *Apple Computer, Inc. v. Formula International Inc.,* 725 F.2d 521, 526 (9th Cir.1984)). This approach collapses the likelihood of success and the irreparable harm factors. Those seeking injunctive relief must proffer evidence sufficient to establish a likelihood of irreparable harm. As in *Flexible Lifeline,* 654 F.3d at 1000, the fact that the "district court made no factual findings that would support a likelihood of irreparable harm," while not necessarily establishing a lack of irreparable harm, leads us to reverse the preliminary injunction and remand to the district court.

In light of our determination that the record fails to support a finding of likely irreparable harm, we need not address the balance of equities and public interest factors.

REVERSED and REMANDED.

**Page 929. Delete Question 1 and replace it with the following Question:**

**1.** What if a party waits for some time after learning of an infringing situation before bringing a motion for a preliminary injunction. Should that delay affect analysis of irreparable harm? Why or why not? *See, e.g. Citibank N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985). Are there any other factors that might undercut a finding of irreparable harm?

**Page 930. Delete the Note: Presumption of Irreparable Harm and substitute the following Note:**

**NOTE: PRESUMPTION OF IRREPARABLE HARM**

The Ninth Circuit in *Herb Reed, supra,* rejected the traditional presumption of irreparable harm applied by many courts once a likelihood of confusion is found and instead followed the Supreme Court's decisions in *eBay Inc. v. MercExchange, LLC*,

547 U.S. 388 (2006), involving a permanent injunction in a patent infringement claim, and *Winter v. Natural Resources Defense Council, Inc.,* 555 U.S. 7 (2008), involving a preliminary injunction against the Navy's use of sonar in exercises because of the impact on marine life. The Third Circuit has similarly found that the *eBay* and *Winter* rationale is "equally applicable in other contexts, including cases arising under the Lanham Act." *Ferring Pharm., Inc. v. Watson Pharm., Inc.,* 765 F.3d 205 (3rd Cir. 2014)(involving denial of a preliminary injunction in a false advertising case).

Although the Ninth Circuit in *Herb Reed* states that the Eleventh Circuit also followed *eBay* and *Winter*, the opinion in that case, while noting the doubt cast on presumption of irreparable harm, did not feel compelled to definitively rule. *North American Medical Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008); *see also Swarovski Aktiengesellschaft v. Building #19, Inc.,* 704 F.3d 44 (1st Cir. 2013) (no need to decide question as likely confusion had not been demonstrated); *Voice of the Arab World, Inc. v. MDTV Medical News Now, Inc.*, 645 F.3d 26 (1st Cir. 2011) (no need to decide question where delay in seeking preliminary relief made application of presumption inapplicable).

The Eleventh Circuit in *Axiom Worldwide* explained:

> Even though we hold that [plaintiffs] have established a substantial likelihood of success on the merits of their trademark infringement and false advertising claims, we must still evaluate whether [plaintiffs] have demonstrated, with respect to each claim, that they will suffer irreparable harm in the absence of an injunction. In reaching its conclusion that [plaintiffs] satisfied this element of the preliminary injunction test, the district court relied on two presumptions, one regarding the infringement claims and one regarding the false advertising claims. For the reasons that follow, we vacate the preliminary injunction with respect to both the trademark claims and the false advertising claims….
>
> ... [O]ur prior cases do extend a presumption of irreparable harm once a plaintiff establishes a likelihood of success on the merits of a trademark infringement claim.…
>
> Nonetheless, ... a recent U.S. Supreme Court case calls into question whether courts may presume irreparable harm merely because a plaintiff in an intellectual property case has demonstrated a likelihood of success on the merits. *See generally eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006). In *eBay*, the Federal Circuit reversed the denial of injunctive relief, articulating a categorical rule that permanent injunctions shall issue once infringement is established. The Supreme Court reversed the Federal Circuit and admonished … courts for applying categorical

> rules to the grant or denial of injunctive relief. The Court stressed that the Patent Act indicates "that injunctive relief 'may' issue only 'in accordance with the principles of equity.' " *Id*. at 393, 126 S. Ct. at 1839. Because the Court concluded "that neither court below correctly applied the traditional four-factor framework that governs the award of injunctive relief, [it] vacated the judgment of the Court of Appeals, so that the District Court may apply that framework in the first instance." *Id.* at 394, 126 S. Ct. at 1841....
>
> Similar to the Patent Act, the Lanham Act grants federal courts the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable." 15 U.S.C. § 1116(a) (2006)…. Because the language of the Lanham Act … is so similar to the language of the Patent Act, we conclude that the Supreme Court's *eBay* case is applicable to the instant case.
>
> However, we decline to express any further opinion with respect to the effect of *eBay* on this case. For example, we decline to decide whether the district court was correct in its holding that the nature of the trademark infringement gives rise to a presumption of irreparable injury. In other words, we decline to address whether such a presumption is the equivalent of the categorical rules rejected by the Court in *eBay* for several reasons... [T]he district court has not addressed the effect of *eBay*... [T]he district court may well conclude on remand that it can … reach an appropriate decision by fully applying *eBay* without the benefit of a presumption of irreparable injury, or it may well decide that the particular circumstances of the instant case bear substantial parallels to previous cases such that a presumption of irreparable injury is an appropriate exercise of its discretion in light of the historical traditions. *See eBay*, 547 U.S. at 394–97, 126 S. Ct. at 1841–43 (concurring opinions of Chief Justice Roberts and Justice Kennedy, representing the views of seven Justices). Accordingly, we also vacate the preliminary injunction as it applies to the trademark infringement claim, and remand to the district court for further proceedings not inconsistent with this opinion, and with *eBay*.

Although the Second Circuit has found copyright plaintiffs must demonstrate irreparable harm to justify an injunction, *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010), it has not yet held that *eBay* prohibits presuming irreparable harm when likely confusion has been shown. *See Barefoot Contessa Pantry, LLC v. Aqua Star (USA) Co.*, 2015 U.S. Dist. LEXIS 24013 (S.D.N.Y. Feb. 26, 2015). The *Barefoot Contessa* court nevertheless did not need to rely on the presumption and granted a TRO by finding irreparable harm in plaintiffs' loss of control over reputation. The plaintiffs are known for their celebrity chef TV show, cookbooks and high-end food products. They had licensed defendant's predecessor in interest to use their marks

in connection with frozen dinners but terminated the license once it was assigned to a different company. The trade dress at issue in the case is shown below.


The district court noted:

> Courts have consistently "found irreparable harm to exist in situations where there is a likelihood of confusion between the marks, and where the reputation and goodwill cultivated by the party seeking the injunction would be out of the party's control because of the infringement." *Microban Prods. Co. v. API Indus., Inc.*, 2014 U.S. Dist. LEXIS 63883 (S.D.N.Y. May 8, 2014). That is because where "the party seeking the injunction shows that it will lose control over the reputation of its trademark . . . loss of control over one's reputation is neither calculable nor precisely compensable." *NYP Holdings v. N.Y. Post Pub'g Inc.,* 63 F. Supp. 3d 328, [341 (S.D.N.Y. 2014)]. That is the case here. Plaintiffs … have spent almost thirty-five years -- and millions of dollars in advertisement and marketing -- building the Barefoot Contessa brand. Additionally, Garten claims that she has been "extremely careful to associate the Barefoot Contessa brand with a handful of products for which [she has] total creative input and absolute control over design and quality, to ensure that any products bearing the brand and [her] name reflect [her] core values and high standards" -- an assertion supported by her refusal to enter into a

> licensing agreement with Defendants after they acquired the assets of Contessa Premium because of her concerns regarding their inexperience in the frozen meals sector. Plaintiffs' control over products associated with Barefoot Contessa is imminently threatened by the "Contessa Chef Inspired" trade dress that is strongly similar -- if not virtually identical to -- the Frozen Dinner Trade Dress, particularly in light of the fact that the two products have appeared side-by-side in grocery stores, and have both been labeled "Barefoot Contessa" products by grocery stores.

The district court also concluded that the plaintiffs satisfied the *eBay* balance of hardships and public interest factors:

> Finally, assuming arguendo that Plaintiffs must show that the balance of hardships tips in their favor and that a temporary restraining order is in the public interest, they have done so. The Court is mindful that, after [defendant's predecessor's] liquidation in 2014, Defendants have been struggling to build a new consumer base, and that OFI may suffer financial and reputational harm from a cessation of production. At the same time, Defendants only started distribution of their "Contessa Chef Inspired" line of products last month. Moreover, as noted above, Plaintiffs also face a significant loss of consumer goodwill from continued sales of infringing products, as they have already received complaints regarding both counterfeit Barefoot Contessa frozen meals and "Contessa Chef Inspired" meals. And the temporary injunctive relief granted by the Court does not include a recall, one of the remedies Defendants contend would devastate their business; instead, the Court's order merely pauses existing production and shipping of infringing products -- thereby restoring the parties to the status quo that existed before Defendants began production of the allegedly infringing goods -- pending the preliminary injunction hearing in two weeks.
>
> Lastly, the harm Defendants face is, to a large extent, self-inflicted. After being refused a license from Plaintiffs, Defendants took a calculated risk in launching a product with a trade dress virtually identical to the trade dress that was used in the previously licensed line of products. In doing so, they proceeded at their peril. *Cf. SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc.*, 63 F. Supp. 2d 467, 472 (S.D.N.Y. 1999), amended, No. 99-CV-9214 (DC), 1999 U.S. Dist. LEXIS 20221, (S.D.N.Y. Sept. 20, 1999) and order dissolved due to a change in circumstances, No. 99-CV-9214, (DC), 1999 U.S. Dist. LEXIS 19677, 1999 WL 1243894 (S.D.N.Y. Dec. 22, 1999) (finding that the balance of equities favored the plaintiff despite the fact that the defendant "would suffer substantial financial losses if its launch of the product is delayed," because "[a]ny harm that

> [defendant] would suffer by the issuance of a preliminary injunction is largely the result of its own doing."). As for whether a temporary restraining order is in the public interest, "[t]he consuming public has a protectable interest in being free from confusion, deception and mistake." *U.S.* Polo Ass'n, 800 F. Supp. 2d at 541; see also Tecnimed, 763 F. Supp. 2d at 417 (finding that the public interest is served "by removing confusing trade dress from the marketplace.").

**Page 932**. **Delete Question 1 and Renumber Questions 2-4 as Questions 1-3**.

**Page 933. Add the case exerpt and Questions 1 through 3 below:**

**Guthrie Healthcare Sys. v. ContextMedia, Inc.**, 2016 U.S. App. LEXIS 10662 (2d Cir. June 13, 2016). As noted in Chapter 3.F, *supra,* after affirming a finding of infringement of Guthrie's registered logo, the appellate court discussed the limited injunctive relief that was confined to the small geographic area in which Guthrie had healthcare facilities and had shown a probability of confusion. Unlike *Dawn Donut* in which the defendant showed a lack of likely confusion outside plaintiff's territory of operation, the appellate court made the following observations on the proper scope of the injunction:

> [A] senior user must prove a probability of confusion in order to win an injunction. But it does not follow that the injunction may extend only into areas for which the senior user has shown probability of confusion…. Once the senior user has proven entitlement to an injunction, the scope of the injunction should be governed by a variety of equitable factors--the principal concern ordinarily being providing the injured senior user with reasonable protection from the junior user's infringement. Of course, if the junior user demonstrates that in a particular geographic area there is no likelihood of confusion, ordinarily no useful purpose would be served by extending the injunction into that area, potentially inflicting great harm on the junior user without meaningful justification. [Citation.]
>
> …The first problem with the injunction is that it allows Defendant to make substantial use of the marks *within* the Guthrie Service Area. The court's ruling leaves Defendant free to use the marks on the Internet, notwithstanding that Defendant's webpages are accessible in

Plaintiff's Service Area, and are likely to cause confusion there. Secondly, the district court also expressly allowed Defendant unrestricted use of the marks in two counties (Tompkins and Schuyler) where Plaintiff maintained healthcare facilities, explaining that Plaintiff had "presented no evidence regarding the setup of these locations, in particular the patient waiting room experience there ... [and] [a]ccordingly ... ha[d] not proven that any patient exposure to [Defendant's] content in waiting rooms in those counties would occur or would be similar to exposure in the 11 counties discussed at trial." The court's explanation for excluding these counties where Plaintiff maintains patient care facilities from the scope of the injunction seems to us unpersuasive.

...

The district court relied primarily on the proposition… that a permanent injunction must be "narrowly tailored to fit specific legal violations" and that a court "should not impose unnecessary burdens on lawful activity." *Starter Corp.*, 170 F.3d at 299. This proposition is without question a correct statement of the law. However, it does not follow from it that a senior user who has proven entitlement to an injunction affecting one geographic area by reason of the junior user's infringement must show the same high degree of probability of harm in every further area into which the injunction might extend, thus allowing the infringer free use of the infringing mark in all areas as to which the senior user has not shown a substantial probability of confusion. "[A] party who has once infringed a trademark may be required to suffer a position less advantageous than that of an innocent party . . . and a court can frame an injunction which will keep a proven infringer safely away from the perimeter of future infringement." [Citation.]

...

In our case, in addition to proving that Defendant was infringing Plaintiff's mark, subjecting Plaintiff to a high probability of confusion in its main Service Area, Plaintiff has also shown that its activities and commercial relationships extended beyond that area….

Plaintiff recruits doctors, residents, and nursing students nationwide; it disseminates medical information over the Internet; it receives referrals from other physicians and medical professionals, who may be anywhere in the country; and, with respect to its medical research and clinical trials, it solicits funding beyond its Service Area. In all of these activities, Plaintiff is exposed to the risk of confusion and harm resulting from Defendant's use of the marks outside that

area. For example, in order to avoid the fact or appearance of conflict of interest, which might harm its reputation with funders of its medical research or cause it to be disqualified by U.S. Government agencies from clinical trials, Plaintiff takes care not to endorse products or host advertisements for third-party products or services. If Defendant's transmissions [videos about medical issues, some of which contain ads] were to display advertising of pharmaceutical products or endorsements and this were observed outside the Guthrie Service Area by Plaintiff's potential funders or by government agencies, who would predictably believe that what they saw came from Plaintiff, Plaintiff could suffer serious harm to its reputation, impacting its receipt of funding grants or its eligibility to conduct clinical trials. Furthermore, potential doctors and nurses around the country whom Plaintiff seeks to recruit might well be affected in their employment decisions by what they see on Defendant's screens or transmissions. The same might apply to referrals of patients.

…Because the district court authorized Defendant to use what is in effect Plaintiff's mark as Defendant's mark outside the Service Area, Plaintiff, which now operates over 100 facilities in the Twin Tiers region, cannot expand beyond those borders without subjecting itself to a high risk of consumer confusion. This cloud affecting Plaintiff's mark beyond the counties where it presently maintains facilities might substantially impair its opportunity for growth and its eligibility as a prospective merger partner with entities operating outside its Service Area, diminishing its value as a commercial entity. *See Savin Corp.*, 391 F.3d at 459-60 (discussing the need to "protect the senior user's interest in being able to enter a related field at some future time").

No doubt, an injured senior user must show evidence of plausibly foreseeable confusion beyond its main area of injury before the trial court is required … to consider extending the injunction into such additional areas…. Plaintiff easily satisfied that requirement.

…Every case turns on its particular facts, and in many instances it will be clear, for a variety of reasons, that an injunction of narrow geographic scope will grant the senior user completely adequate protection, and that an injunction going further would be not only unnecessary but unjust…. Plaintiff in our case made a showing of plausibly foreseeable confusion and harm resulting from Defendant's use of its marks beyond the area where confusion was probable. Even assuming it failed to show *probability* of confusion beyond its Service Area, that is not the governing standard in such circumstances. Plaintiff was entitled to have the district court consider extending the injunction beyond the area where confusion was probable upon

proper consideration of all the equities.[10]

We recognize further that the competing equities do not always favor a senior user that has shown infringement. Cases frequently arise in which imposition of a broad injunction on an innocent infringer, which had no realistic way of knowing that its mark was subject to a prior claim, would cause the junior user a catastrophic loss of goodwill acquired through investment of years of toil and large amounts of money. In such cases, notwithstanding that the legal right unquestionably belongs to the senior user, competing equities can complicate the issue of the breadth of injunctive relief. In our case, in contrast, a number of equitable considerations appear to favor Plaintiff.

Although Defendant did not act with bad faith..., Defendant could easily have avoided the problem that arose from its adoption of marks already reserved by another user.... Plaintiff had registered its mark with the PTO. Had Defendant exercised the precaution of running a trademark search before launching its marks, it would have learned that they were unavailable and would surely have had the good sense not to proceed with a logo so nearly identical to one for which trademark rights were already established. Defendant did not conduct a trademark search until it sought to register its marks and was notified by the PTO on February 28, 2012, that the marks it sought to register were "striking[ly] similar" to Plaintiff's already registered mark. Accordingly, while Defendant is not a "bad faith" infringer, nor is it an entirely …innocent infringer. The government had placed a convenient tool at its disposition, which it could have used to avoid this infringement, and it failed to utilize that tool.

Furthermore, this is not a case in which an injunction would have catastrophic effects on the infringer's business.... Defendant here had only recently begun using the logo. Nor is this a case in which the junior user is compelled to give up the name of its business. What is at stake is only the use of a decorative logo. No reason appears why Defendant cannot change its logo to one that is not confusingly similar

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[10] Nor do we imply that a prevailing plaintiff operating within a narrow service area is necessarily entitled to an injunction barring the infringing defendant from using its mark on the Internet… The proper scope of the injunction depends on likelihood of confusion, which in turn depends on innumerable variable factors. The particular facts of this case lead us to conclude that Defendant's use of the logo on the Internet will cause sufficient likelihood of confusion to justify barring Defendant from Internet use. In other infringing circumstances, whether because of differences in the marks, geographic separation, differences between plaintiff's and defendant's commerce, or other reasons, a defendant's use of its mark on the Internet would cause little or no likelihood of confusion, and need not be enjoined.

to Plaintiff's without suffering major harm to its business.[11] Finally, Plaintiff is the injured party, and so far as we can see was without fault in the matter.

Finally, the equitable interests to be considered in fashioning an injunction are not only those of the parties to the litigation.... The public has a great interest in administration of the trademark law in a manner that protects against confusion. By perpetuating a highly confusing circumstance, the court's injunctive order harmed that public interest. The public interest would undoubtedly be better served by the elimination of this confusion.

...The injunction ordered by the district court is affirmed to the extent that it enjoined Defendant from use of its marks. The scope of the injunction is hereby expanded to include Tompkins and Schuyler counties. We vacate the district court's order to the extent it leaves Defendant free to use its marks outside Plaintiff's Service Area, and in online applications. We leave it to the district court to determine whether the injunction can be tailored to allow Defendant some limited use of its marks outside Plaintiff's Service Area (expanded to include Tompkins and Schuyler counties) and on the Internet, giving due weight to Plaintiff's interest in protection from the risk of confusion in the marketplace and to all other appropriate equitable considerations. The matter is remanded for further proceedings in accordance with this ruling.

## QUESTIONS

**1.** On remand in *Guthrie*, how should the district court re-fashion the injunction?

**2.** Georgia Pacific sells enMOTION towel dispensers along with paper towels designed to fit within them. Georgia Pacific commenced three separate trademark infringement suits in three different courts, one in North Carolina against von Drehle, which sold paper towels to fit within the enMOTION dispensers, and the other two in Arkansas and Ohio against Von Drehle's towel distributors. The actions in Arkansas and Ohio found no likelihood of confusion and were affirmed by the Eighth and Sixth Circuits respectively; whereas, the action in North Carolina resulted in a finding of likelihood of confusion in which the district court judge entered a nationwide injunction against sales of the paper towels despite the opposite results in the other two proceedings. Was this proper? If not, should a

[11] The district court might contemplate diminishing any harm to Defendant caused by a mandatory logo change by allowing the change to be made in stages, perhaps beginning with the addition of a reasonably prominent disclaimer of connection to Plaintiff.

geographically limited injunction have issued instead? *See Georgia-Pac. Consumer Prods. LP v. von Drehle Corp.*, 781 F.3d 710 (4th Cir. 2015), *infra* this Chapter, and the district court opinion on remand, 2015 U.S. Dist. LEXIS 156723 (E.D.N.C. November 18, 2015).

**3.** Uber Technologies operates Uber, an app-based service that connects drivers with people who want a ride. Uber Promotions has operated a party bus/limo service to take multiple people to events in the Gainesville, Florida area prior to Uber Technologies' use and federal registrations. Uber Promotions, alarmed by Uber Technologies' expansion in Florida as well as by Uber Technologies' new service of UberEVENTS that allows an event host to purchase rides for attendees and some instances of actual confusion, sues and requests a preliminary injunction. Applying the *eBay* standard, do you think the court should issue a preliminary injunction? If so, in what geographical area? *See Uber Promotions, Inc. v. Uber Technologies, Inc.,* 2016 U.S. Dist. LEXIS 18572 (N.D. Fla. Feb. 16, 2016).

**Page 933. Add the following Note after the Questions:**

**NOTE: THE "SAFE DISTANCE" RULE**

In determining whether a defendant is guilty of contempt of a previously issued injunction against infringing conduct, courts frequently invoke the "safe distance" rule in cases where the previous infringer makes some modifications to the previously infringing mark or trade dress. Although the modified mark and/or trade dress may not have been found infringing in the first instance, it may violate the injunction if the modifications do not preserve a "safe distance" from the plaintiff's mark or trade dress. *See generally* 5 J. McCarthy on Trademarks and Unfair Competition § 30:21 (4th ed. 2015).

The Sixth Circuit recently applied this doctrine in *Innovation Ventures, LLC v. N2G Distributing, Inc.*, 763 F.3d 524 (6th Cir. 2014). The defendants in that case had been found guilty of infringing plaintiff's 5-HOUR ENERGY mark and/or trade dress in a series of energy drink products sold by defendants. The plaintiff's 5-HOUR ENERGY product and defendant's initial 6-HOUR ENERGY product are shown below:


After a permanent injunction was entered, the defendants, through a new company, made some modifications to the products as shown below:


The plaintiff moved for a contempt order, which the district court granted. The district court did not engage in a likelihood of confusion analysis to determine whether the modified versions were infringing, but instead applied the "safe distance" rule. The Sixth Circuit affirmed, noting:

> A court's ability to issue injunctions, and then enforce those injunctions with a finding of contempt, springs from the court's

> inherent equitable powers. [Citations.] Equity allows courts, faced with recalcitrant parties who repeatedly violate the law, to craft permanent injunctions which "proscribe activities that, standing alone, would have been unassailable." *E.E.O.C. v. Wilson Metal Casket Co*., 24 F.3d 836, 842 (6th Cir. 1994). This equitable principle goes by a specialized name in the context of permanent injunctions to protect intellectual property--the Safe Distance Rule....
>
> The Safe Distance Rule gives courts a … useful tool in crafting and enforcing permanent injunctions. Once a party infringes on another's trademark or trade dress, the confusion sowed "is not magically remedied" by *de minimis* fixes. [Citation.] "Instead, the confusion lingers, creating the need for the infringer not only to secure a new non-infringing name (or other infringing characteristic) for his product, but one so far removed … so as to put the public on notice that the two are not related."[Citation.] In contempt proceedings, the Safe Distance Rule "reliev[es] the reviewing court of the need to retry the entire range of issues that may be relevant in an infringement action for each small variation the defendant makes to the enjoined mark." *PRL USA Holdings, Inc. v. U.S. Polo Ass'n, Inc*., 520 F.3d 109, 118 (2d Cir. 2008). If the law were otherwise, an enjoined party "could simply make a tiny change and start a new trademark contest all over again in the context of the contempt hearing as to use of the 'new' format." 5 McCarthy on Trademarks and Unfair Competition § 30:21 (4th ed. 2013).
>
> The Safe Distance Rule is … a specialized application of the courts' traditional equitable power to craft permanent injunctions tailored to the needs of each case, and then enforce them with the sanction of contempt. The district court's permanent injunction in this case barred Defendants, their agents, and their confederates from marketing products that use marks "confusingly similar" to the protected trademark and trade dress…. Once Plaintiff moved for contempt, the district court did not err by refusing to go through a full likelihood-of-confusion analysis with Defendants' modified products. The district court was within its rights to simply determine whether the modified products were confusingly similar. [Citation.]

Do you agree that the defendants' modified trade dress failed to keep a safe distance from plaintiff's?

**Page 948. Insert new Subheading 4 after Questions:**

### 4. Declaratory Relief: Defendants' Counterpart to Injunctive Relief

**CLASSIC LIQUOR IMPORTERS, LTD. v. SPIRITS INT'L B.V.**
117 U.S.P.Q.2d 1310 (S.D.N.Y. 2015)

RAKOFF, U.S.D.J.

...

The declaratory judgment procedure is of critical importance to new businesses that seek to clarify their rights before expending significant resources on activities that potentially infringe a more established business's trademarks. This case illustrates why.

Plaintiff Classic Liquor Importers, Ltd. ("Classic Liquor") is a newcomer to the liquor distribution business, established about two years ago "with the aim of becoming a leading developer, manufacturer, importer and seller of high quality spirits and wines. Defendant Spirits International B.V. ("SPI"), by contrast, is a leader in the industry; its vodka brands include STOLICHNAYA, ELIT BY STOLICHNAYA, and ELIT.

Classic Liquor asserts that it has committed millions of dollars to developing its first product, a vodka that it plans to market under the mark ROYAL ELITE. On October 30, 2014, Classic Liquor filed a trademark application in the United States Patent and Trademark Office ("USPTO") for the name ROYAL ELITE. In February 2015, the USPTO approved the ROYAL ELITE mark for publication, subject to third-party opposition.

In a cease-and-desist letter mailed to Classic Liquor on or about May 5, 2015, SPI alleged that Classic Liquor's proposed use of the ROYAL ELITE mark in connection with liquor and beverage products would infringe SPI's United States trademarks of variations of the term ELIT. The letter requested that SPI withdraw its application for the ROYAL ELITE mark and limit its application for a related mark to exclude wines, spirits, and other beverages. By letter dated May 21, 2015, Classic Liquor responded to SPI's letter, arguing that its proposed use of its ROYAL ELITE mark would not infringe SPI's ELIT marks. By letter dated July 10, 2015, SPI sought clarifications from Classic Liquor as to which products it planned to bring to market under the ROYAL ELITE mark. Without apparently responding to this last letter, Classic Liquor, on August 18, 2015, commenced this action.

In its Amended Complaint, filed on October 28, 2015, Classic Liquor seeks …a declaratory judgment that its vodka bottles and the trademarks and trade dress used thereon do not infringe SPI's trademarks….

…vClassic Liquor's president, Simon Alishaev, avers that "[s]ales and shipment of the ROYAL ELITE vodka to retailers commenced as early as September 2015, and the public has been purchasing [plaintiff's] ROYAL ELITE vodka[] product since then." Mr. Alishaev further avers that "Royal Elite is currently in approximately 100 retailers in the New York metro area and is expanding to over 10 states in January

2016 -- with further expansion to over 20 states through 2016."

… [T]he Amended Complaint asserts that on September 28, 2015, SPI filed an opposition to Classic Liquor's application for the ROYAL ELITE mark with the USPTO's Trademark Trial and Appeal Board ("TTAB"). However, in a letter to Classic Liquor dated October 28, 2015 (*i.e.*, well after this litigation commenced), SPI represented that it had no present intention to sue Classic Liquor for trademark infringement and purportedly did not have such an intention when it sent its cease-and-desist letter on May 5, 2015. Nonetheless, SPI reserved its right to pursue litigation "if and when Classic Liquor launches and has any actual sales, and depending on the iteration of the mark used, and if we observe or learn of any actual consumer confusion."…

On November 16, 2015, SPI moved to dismiss Count[] One …of the Amended Complaint [and] … argued that the Court lacked subject-matter jurisdiction over Classic Liquor's declaratory judgment claim for non-infringement.

The Declaratory Judgment Act is properly invoked where "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Cas. Co. v. Pac. Coal & Oil Co.,* 312 U.S. 270, 273, 61 S. Ct. 510, 85 L. Ed. 826 (1941). The dispute must "admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts." *MedImmune, Inc. v. Genentech, Inc.,* 549 U.S. 118, 127, 127 S. Ct. 764, 166 L. Ed. 2d 604 (2007) (internal quotation marks omitted). While the "Act confers on federal courts unique and substantial discretion in deciding whether to declare the rights of litigants," *Peconic Baykeeper, Inc. v. Suffolk Cty*., 600 F.3d 180, 187 (2d Cir. 2010) (internal quotation marks omitted), a "declaratory judgment action should be entertained when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and . . . when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding." *Fort Howard Paper Co. v. William D. Witterf Inc.,* 787 F.2d 784, 790 (2d Cir. 1986) (internal quotation marks omitted).

The Second Circuit has explained that "[d]eclaratory judgment actions are particularly useful in resolving trademark disputes, in order to promptly resolve controversies where the alleged owner of a trademark right threatens to sue for infringement," and, as such "the finding of an actual controversy should be determined with some liberality" in such a case. *Starter Corp. v. Converse, Inc.,* 84 F.3d 592, 596 (2d Cir. 1996). "A more restrictive view," the Court of Appeals has explained, could require a party "to go to substantial expense in the manufacture, marketing, and sale of its [product], and subject itself to considerable liability for a violation of the Lanham Act before its right to even engage in this line of commerce could be adjudicated." *Id.*

...

… SPI argues that …the claim is impermissibly hypothetical in nature …[and] asserts (1) that Classic Liquor fails to adequately allege that it is imminently ready

to market its product under the ROYAL ELITE mark; (2) that Classic Liquor has not sufficiently fixed its mark such that it can be compared to SPI's marks; (3) that evidence of actual consumer confusion is unavailable because Classic Liquor's products are supposedly not yet on the market; and (4) that SPI has no present intention, and has never threatened, to sue Classic Liquor for infringement.

The first three arguments are largely premised on the notion that Classic Liquor has not yet brought its product to market (or at least has not yet formally so alleged in its complaints). To the extent one goes beyond the pleadings, this premise is, obviously, undermined by Mr. Alishaev's sworn representation that Classic Liquor has, in fact, been shipping and selling products under the ROYAL ELITE mark since September 2015.

… SPI argues on reply that "even under the most generous interpretation [Classic Liquor's product] launch has been exceedingly minimal," noting that plaintiff's "papers do not state whether bottles, particularly in bars and restaurants, were placed there as promotions, or in fact were sold, and if so, with what resulting revenue." … Because, on any reasonable interpretation of Mr. Alishaev's affidavit, Classic Liquor's products have entered the consumer marketplace, SPI's arguments that Classic Liquor has not sufficiently fixed its mark, has not sufficiently alleged concrete plans to launch its products, and has brought a suit in which evidence of actual consumer confusion will be unavailable are effectively without basis.

… [E]ven if the product launch had not occurred, the result …would be the same. Courts routinely find subject-matter jurisdiction in declaratory judgment actions brought by businesses that are reasonably apprehensive that they will face infringement suits with respect to marks and products they are on the verge of introducing into commerce. *See Starter Corp.,* 84 F.3d at 596 (declaratory judgment available to plaintiff who can "demonstrate an actual intent and ability to imminently engage in the allegedly infringing conduct").[4]

….

The claim that there was no prior threat of litigation is unpersuasive. In its letter of May 5, 2015, SPI stated that Classic Liquor's "proposed registration and use of the confusingly similar trademarks ROYAL ELITE will amount to unlawful infringement and dilution of [SPI's] registered trademark rights," and that if Classic Liquor does not cease and desist from using ROYAL ELITE, SPI will "vigorously protect[] its trademarks." This is clearly a threat of future litigation….

While the May 5 letter was followed by a less aggressive letter dated July 10,

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[4] *Starter Corp.* was abrogated by the Supreme Court's decision in *MedImmune* to the extent that *Starter Corp.* held that a declaratory judgment plaintiff must be under an imminent threat of liability. *See Vina Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.,* 784 F. Supp. 2d 391, 395 (S.D.N.Y. 2011) ("*MedImmune* rejected lower courts' previous requirement that a declaratory judgment plaintiff seeking to establish federal jurisdiction must demonstrate 'a reasonable apprehension of imminent suit.'" (citation omitted)). *Starter Corp.*'s "actual intent and ability" requirement remains good law, however. *See Bruce Winston,* 2010 U.S. Dist. LEXIS 96974, 2010 WL 3629592, at *4 (finding that this prong of the *Starter Corp.* test "should survive because it is anchored in the requirement of the specificity and immediacy of the dispute which the Court reaffirmed in *MedImmune*").

2015, seeking clarifications from Classic Liquor as to which products it planned to bring to market under the ROYAL ELITE marks, the July 10 letter by no means withdrew the substance of the May 5 letter. Defendant is not entitled to argue, after taking action that compelled plaintiff to sue to clarify its rights vis-a-vis defendant, that it did not really mean what it said in its May 5 letter. [Citations.]

SPI points to its self-serving representation in its October 28, 2015 letter to plaintiff -- sent months after this litigation commenced -- that it had no "present intent to sue Classic Liquor for trademark infringement." But Classic Liquor can hardly be blamed for taking little comfort in this litigation-induced disclaimer, insofar as SPI expressly reserved the right in that very same letter to sue Classic Liquor for trademark infringement "if and when Classic Liquor launches and has any actual sales, and depending on the iteration of the mark used, and if we observe or learn of any actual consumer confusion." The launch has now occurred…. Moreover, SPI has opposed Classic Liquor's applications to register the mark ROYAL ELITE in many countries, including the United States. Thus, even if one were to credit (which the Court does not) defendant's assertion that it has no intention of suing plaintiff, this action presents a "substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Cas. Co.*, 312 U.S. at 273.

In passing, it may be noted that SPI relied heavily in its briefing and at oral argument on the *Bruce Winston* case, in which [the court] found that he lacked subject-matter jurisdiction over plaintiff's declaratory judgment claim where defendant Harry Winston, Inc. did not object to plaintiff's present and planned uses of the BRUCE WINSTON mark -- despite the fact that it was opposing plaintiff's application to register the mark with the TTAB. *See Bruce Winston,* 2010 U.S. Dist. LEXIS 96974, 2010 WL 3629592, at *1....

Specifically, in *Bruce Winston*, plaintiff had been using its marks for almost a decade and defendant had made clear that it took no issue with such uses. Rather, it was opposing plaintiff's attempt to register the BRUCE WINSTON mark because it would be tantamount to giving plaintiff (or a potential assignee of the mark) a "blank check" to use the mark in whatever potentially infringing way it wished going forward. [Citation.] Here, by contrast, SPI explicitly advised Classic Liquor in its May 5 letter -- before Classic Liquor had even launched its products -- that it viewed its proposed use of the ROYAL ELITE mark as infringing. And even though SPI's October 28 letter attempted to walk back that threat, the October 28 letter does not purport to give Classic Liquor any assurance that SPI will not view Classic Liquor's use of the ROYAL ELITE mark as infringing going forward. To the contrary, it reserves the right to sue if it observes consumer confusion. Thus, in sharp contrast to *Bruce Winston*, this action presents "a specific dispute about an imminent" or present activity. [Citation.]

...

At bottom, SPI is seeking to preserve an option to sue Classic Liquor at its discretion -- potentially after Classic Liquor, an upstart in the industry, spends

millions of dollars building brand recognition and establishing a foothold in the marketplace. While one can understand why holding this litigation in abeyance might be attractive to defendant, the Declaratory Judgment Act is designed precisely for situations like these where a party is put on notice by another that it may be infringing the noticing party's rights and seeks to "clarify[] and settl[e] the legal relations in issue," as well as "relief from the uncertainty, insecurity, and controversy giving rise to the proceeding." *Fort Howard Paper Co.,* 787 F.2d at 790. To state the obvious, the declaratory judgment procedure would be pointless in this context if a party had to wait to be sued for infringement before seeking a declaratory judgment of non-infringement.

...

In sum, … the Court … denie[s] [defendant's motion to dismiss] as to plaintiff's declaratory judgment claim.

**QUESTION**

Does the availability of declaratory relief suggest how practitioners should phrase demand letters?

## B. MONETARY RELIEF

### 1. Assessing Profits and/or Damages

**Page. 956. Insert the following case after *Banjo Buddies.***

**Romag Fasteners, Inc. v. Fossil, Inc.**, 817 F.3d 782 (Fed. Cir. 2016). The Federal Circuit took a different position from the Third Circuit in *Banjo Buddies, supra.* Applying Second Circuit law in an appeal from a denial of a profits award based on a finding of no willfulness in an infringement case, the Federal Circuit concluded that the 1999 amendments to the Lanham Act did not change the law as to whether willfulness could be a prerequisite to a profits award. Accordingly, the decision affirmed a finding that plaintiff could not recover profits. The decision noted the split in circuits concerning the willfulness requirement both before and after the 1999 amendments. The pre-1999 language of section 35(a) stated:

> …provided that plaintiffs who had established "a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section § 1125(a) of this title . . . shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. § 1117(a) (1996) (emphasis added) (amended 1999).

...

Several courts of appeals determined that a finding of willfulness was required for an award of the defendant's profits. Among these was the Second Circuit, whose law governs here. The Second Circuit took the view that "under [15 U.S.C. § 1117(a)] of the Lanham Act, a plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting." *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992); [citation]. And, in the Second Circuit, while "a finding of willful deceptiveness is necessary in order to warrant an accounting for profits . . . it may not be sufficient"—

> generally, there are other factors to be considered. Among these are such familiar concerns as: (1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) plaintiff's laches; and (5) plaintiff's unclean hands. The district court's discretion lies in assessing the relative importance of these factors and determining whether, on the whole, the equities weigh in favor of an accounting. As the Lanham Act dictates, every award is "subject to equitable principles" and should be determined "according to the circumstances of the case."

*George Basch*, 968 F.2d at 1540-41 (citations omitted).

The Federal Circuit noted that before the amendments, the District of Columbia, Third and Tenth Circuits also required willfulness; whereas, the Fifth and Eleventh Circuits did not. A review of the purpose of the 1999 amendments to differentiate profits and damages for the new dilution ground led the Federal Circuit to conclude that no change to existing law was intended as to infringement and section 43(a) claims.

… In 1996, Congress amended the Lanham Act to create a cause of action for trademark dilution, providing for injunctive relief and also monetary relief if the dilution was "wilfully intended." *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985-86 (1996) (codified at 15 U.S.C. § 1125(c) (1997)).

But the effort to award monetary relief for willful dilution was ineffective because the new dilution provision made available "the remed[y] set forth in section[] 1117(a)" without amending § 1117(a) to provide for such monetary remedies in the case of dilution. *Id.* In 1999, Congress amended § 1117(a) to correct this error. *See*

Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219. The current version of § 1117(a) reads,

> [w]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) <u>or (d)</u> of this title, <u>or a willful violation under section 1125(c) of this title</u>, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (2014) (new language added by 1999 amendment underscored).

…After the 1999 amendment, the Fifth Circuit continued to hold that willfulness is not a prerequisite to an award of infringer's profits for violations of § 1125(a). *See Quick Techs., Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) ("In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits."). The Third Circuit reversed course, holding that the 1999 amendment barred a willfulness requirement, *see Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005) ("By adding this word ['willful'] to the statute in 1999, but limiting it to [§ 1125(c)] violations, Congress effectively superseded the willfulness requirement as applied to [§ 1125(a)]."), and the Fourth Circuit held that a finding of willfulness is not required, *see Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006) ("[A]lthough willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto."); *see also Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010) ("Although showing willfulness is not required, willfulness is one element that courts may consider in weighing the equities.").

Other courts of appeals considering the issue found a willfulness requirement for an award of the infringer's profits. *See Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073-74 (9th Cir. 2015) ("Awarding profits is proper only where the defendant is attempting to gain the value of an established name of another. Willful infringement carries a connotation of deliberate intent to deceive.") [citation]; *see also Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) ("[O]ur cases usually[, with the

exception of direct competition cases,] require willfulness . . . to allow either (1) more than single damages or (2) a recovery of the defendant's profits."); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1270 (10th Cir. 2005) ("We hold that the willfulness required to support an award of profits under the Lanham Act typically requires an intent to appropriate the goodwill of another's mark."); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30.62 (2015) ("Th[e] reading of Congressional intent [as removing the willfulness requirement] is inaccurate. In fact, the 1999 amendment of Lanham Act § 35(a) was not intended to change the law by removing willfulness as a requirement for an award of profits in a classic infringement case, but rather was meant to correct a drafting error . . . . The courts have leveraged this statutory change beyond its intended scope . . . .").

… Contrary to Romag's argument, the willfulness rule was reaffirmed by the Second Circuit. In *Merck Eprova AG v. Gnosis S.p.A.*, a district court found that Gnosis had misrepresented the purity of certain nutritional supplement products and was liable for violating section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). 760 F.3d 247, 252-53 (2d Cir. 2014). The district court found that Gnosis had willfully deceived its customers and awarded Gnosis's profits to prevent its unjust enrichment, to compensate Merck for the business it lost as a result of Gnosis's false advertising, and to deter future unlawful conduct. *Id.* at 262. The Second Circuit restated its rule that "a finding of defendant's willful deceptiveness is a prerequisite for awarding profits," *id*. at 261 (quoting *George Basch*, 968 F.2d at 1537), and affirmed the district court's award of profits, as "willful, deliberate deception [had] been proved," *id*. at 262.

While the Second Circuit has not directly addressed the 1999 amendment, we see nothing in the 1999 amendment that permits us to declare that the governing Second Circuit precedent is no longer good law.

First, the limited purpose of the 1999 amendment was simply to correct an error in the 1996 Dilution Act. The legislative history of the Trademark Amendments Act of 1999 does not indicate that Congress contemplated its addition of "or a willful violation under section § 1125(c)," as affecting any change to the willfulness requirement for violations of § 1125(a). *See* H.R. Rep. No. 106-250, at 6 (1999). Rather, the legislative history indicates only that Congress sought to correct the mistaken omissions, from the text of 15 U.S.C. §§ 1117(a) and 1118, of willful violations of § 1125(c). *Id.* In short, there is no indication that Congress in 1999 intended to make a change in the law of trademark infringement as opposed to dilution. The history

> does not even acknowledge the pre-1999 split in the courts of appeals on the willfulness requirement for a recovery of infringer's profits, much less indicate a desire to change it. Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict. [Citation.]
>
> Second, the language of the statute as to infringement liability remained unchanged with regard to the award of profits under the "principles of equity." 15 U.S.C. § 1117(a). By reenacting that standard, Congress could not have ratified a consistent judicial construction of § 1117(a) because there was a split in the courts of appeals, at the time of the 1999 amendment, as to the willfulness requirement. [Citations.]
>
> ...
>
> In any event, the "willful violation" language added in 1999 to cover dilution cannot simply be explained as a desire to distinguish dilution cases from violations of § 1125(a) for purposes of profits awards. The "willful violation" language was necessary to distinguish dilution cases from, *inter alia*, infringement cases in the area of damages (as opposed to profits), since it was established in the courts of appeals that willfulness was not required for damages recovery, *see* 5 J. Thomas McCarthy, *McCarthy on Trademarks and* Unfair *Competition* § 30.75 (2015), and Congress wished to limit damages awards for dilution to cases involving willfulness. So too, even with respect to awards of profits in dilution cases, the addition of "willful violation" was necessary to establish a uniform rule since the courts of appeals were divided as to the willfulness requirement in the infringement context, and silence might have generated a circuit split in the dilution area.

The Federal Circuit concluded:

> We conclude that the 1999 amendment to the Lanham Act left the law where it existed before 1999—namely, it left a conflict among the courts of appeals as to whether willfulness was required for recovery of profits. We accordingly follow the Second Circuit's decision in *George Basch* as reaffirmed in *Merck*. Under that standard, we agree with the district court that Romag is not entitled to recover Fossil's profits, as Romag did not prove that Fossil infringed willfully.

**Page 956. Delete Questions 1 and 6 and replace Question 1 with the following question:**

**1.** Which decision is more persuasive, *Banjo Buddies* or *Romag*, as to the effect of the 1999 Lanham Act amendments on whether willfulness can be a prerequisite to an award of profits in an infringement or section 43(a) violation? Is the continuing split in circuits on this question an invitation to forum shopping?

**2. Corrective Advertising**

**Page 961. Add Question 5:**

**5.** A rival court reporter acquired a URL incorporating the name of a competitor and then re-directed the domain name to her own website. When the competitor complained, the court reporter ceased re-directing the website but refused to transfer the domain name. The competitor successfully secured a transfer of the domain name through a WIPO arbitration and brought an action under §§ 43(a) and (d), claiming the cost of damage control spent on the WIPO arbitration. Should such damages be available when there are no claims of false advertising and the plaintiff has not engaged in any corrective advertising? *See Migliore & Assoc., LLC v. Kentuckiana Reporters, LLC*, 2015 U.S. Dist. LEXIS 19568 (D. Ky. Feb. 19, 2015).

**3. Attorney's Fees**

**Page 967. Add the following case after *Trafficschool.com*:**

In **Georgia-Pacific Consumer Products LP v. von Drehle Corp.,** 781 F.3d 710 (4th Cir. 2015), the district entered a nationwide injunction against defendant's distribution of paper towels designed to fit within plaintiff's enMOTION towel dispensers after a jury finding of contributory trademark infringement. It also trebled the jury's award of $791,431 to $2,374,293 and awarded attorney's fees of $2,225,782 after a finding that "exceptional" circumstances existed. The Fourth Circuit found that a nationwide injunction was improper because parallel actions had been brought against two of defendant's distributors that had resulted in prior findings of no infringement by the Sixth and Eighth Circuits. As a matter of comity, the Fourth Circuit limited the injunctive relief to the states within the Fourth Circuit. With respect to the trebling of damages, the appellate court found that the district court "conflated § 1117(a) and § 1117(b)." Section 1117(b) was inapplicable as the case did not involve a counterfeit mark and the enhancement of damages available under section 1117(a) was inapplicable because there was no showing of the inadequacy of the award. With respect to the award of attorney's fees, the appellate court noted:

…Section 1117(a) provides, "The court in exceptional cases may award reasonable attorney fees to the prevailing party." The court based its willful-and-intentional finding on the fact that von Drehle specifically designed its 810-B paper towels for use in Georgia-Pacific's enMotion dispenser and knew that they would be stuffed in those dispensers.

Von Drehle contends that this case is not "exceptional," as that term is used in § 1117(a), and that the district court erroneously relied on its purposeful conduct in distributing towels for use in Georgia-Pacific's enMotion machines, conflating willful and intentional conduct with willful and intentional infringement. We agree, especially since Von Drehle reasonably believed that its conduct was lawful.

We have defined the "exceptional" case for purposes of § 1117(a) "as one in which 'the defendant's conduct was malicious, fraudulent, willful or deliberate in nature.'" *Retail Servs., Inc. v. Freebies Publ'g*, 364 F.3d 535, 550 (4th Cir. 2004) (*quoting PETA v. Doughney*, 263 F.3d 359, 370 (4th Cir. 2001)). But, in this context, the word "willful" does not mean that the defendant's actions were merely volitional, but rather that the defendant acted with the intent to infringe the plaintiff's protected mark. *See, e.g., In re Outsidewall Tire Litig.,* 748 F. Supp. 2d 557, 562 (E.D. Va. 2010) ("'[W]illfulness' means more than simply that the act of infringement was done voluntarily and intentionally and not because of accident or other innocent reason" (internal quotation marks and citation omitted)); (citations). To affirm the district court's application of its volitional standard would mean that every Lanham Act case would qualify as "exceptional" unless the defendant could show that it unintentionally or mistakenly performed the actions later found to be a violation of the Act.

More importantly, after the court had received the parties' briefs in this case, the Supreme Court handed down its decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 188 L. Ed. 2d 816 (2014). While *Octane Fitness* did not construe § 1117(a), it did construe a parallel and identical provision in the Patent Act, which provides, "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. The Federal Circuit had previously given § 285 a narrow interpretation, concluding:

> A case may be deemed exceptional when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions. Absent misconduct in conduct of the litigation or in securing the patent, sanctions may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is

objectively baseless.

*Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005); (citation omitted). But the Supreme Court rejected the Federal Circuit's interpretation of "exceptional," describing the Federal Circuit's test as "unduly rigid." *Octane Fitness*, 134 S. Ct. at 1755. Relying on the statute's simple text and dictionary definitions of "exceptional," the Court concluded:

> [A]n 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances.

*Id.* at 1756. The Court then pointed the district courts to the same nonexclusive list of factors that it had previously identified as relevant for use in determining whether to award attorneys fees under a similar provision of the Copyright Act, a list that included "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 1756 n.6 (*quoting Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994)) (internal quotation marks omitted).

To be sure, the *Octane Fitness* Court did not interpret the attorneys fees provision of § 1117(a). But the language of § 1117(a) and § 285 is identical, and we conclude that there is no reason not to apply the *Octane Fitness* standard when considering the award of attorneys fees under § 1117(a). *See Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 314-15 (3d Cir. 2014) ("While *Octane Fitness* directly concerns the scope of a district court's discretion to award fees for [an] 'exceptional' case under § 285 of the Patent Act, the case controls our interpretation of [§ 1117(a)]. Not only is § 285 identical to [§ 1117(a)], but Congress referenced § 285 in passing [§ 1117(a)]").

Thus, we conclude that a district court may find a case "exceptional" and therefore award attorneys fees to the prevailing party under § 1117(a) when it determines, in light of the totality of the circumstances, that (1) "there is an unusual discrepancy in the merits of the positions taken by the parties," *Fair Wind Sailing*, 764 F.3d at 315, based on the non-prevailing party's position as either frivolous or objectively unreasonable, *see Octane Fitness*, 134 S. Ct. at 1756 n.6; (2) the non-prevailing party "has litigated the case in an 'unreasonable manner,'" *Fair Wind Sailing*, 764 F.3d at 315 (*quoting Octane Fitness*, 134 S. Ct. at 1756);

or (3) there is otherwise "the need in particular circumstances to advance considerations of compensation and deterrence," *Octane Fitness*, 134 S. Ct. at 1756 n.6 (*quoting Fogerty*, 510 U.S. at 534 n.19) (internal quotation marks omitted).

Because the district court did not have the benefit of the *Octane Fitness* standard when considering whether Georgia-Pacific was entitled to attorneys fees under § 1117(a), we vacate the court's award of attorneys fees and remand the question for further consideration in light of this standard.

**Page 967. Add new Questions 4 through 6:**

**4.** The Fifth Circuit has joined the Third and Fourth Circuits and has adopted the *Octane Fitness* standard of exceptionality. *See Baker v. DeShong*, 2016 U.S. App. LEXIS 8014 (5th Cir. May, 3 2016). Is the *Octane* standard different from that articulated by the Seventh Circuit in *Nightingale*? Would the *Nightingale* result be different under the *Octane Fitness* standard?

**5.** A recent Seventh Circuit decision applied the *Nightingale* standard in assessing whether the circumstances were "exceptional" so as to require an award of attorney's fees. The opinion did not reference *Octane Fitness*. Should it have done so? *See Burford v. Accounting Practice Sales, Inc.*, 786 F.3d 582 (7th Cir. 2015); *see also Premium Balloon Accessories, Inc. v. Creative Balloons Mfg., Inc.*, 573 Fed. Appx. 547 (6th Cir. 2014) (not recommended for full-text publication) (applied *Octane Fitness* standard to attorney's fees question on patent issue, but applied 6th Circuit standard on trade dress infringement issue).

**6.** Although the district court in *Georgia Pacific* originally awarded attorney's fees, on remand from the Fourth Circuit directing application of the *Octane* test of exceptionality, the court denied attorney's fees. *Georgia-Pacific Consumer Products LP v. Von Drehle Corp.,* 2015 U.S. Dist. LEXIS 156723 (E.D.N.C. Nov. 18, 2015). Does the *Octane* test raise the bar to granting a fee award?

## D. BORDER CONTROL MEASURES

**Page 1010. Insert new Question 3:**

**3.** Hokto USA grows its mushrooms in a special growing medium to satisfy U.S. organic standards; whereas, its Japanese parent Hokto Japan does not

use this medium for its mushrooms intended for the Japanese market. Additionally, the Japanese parent uses Japanese language packaging for mushrooms intended for the Japanese market; whereas, Hokto USA's packages are also in English. The labeling provides information about calorie count, serving size and nutritional information. Concord Farms imports Hokto Japan's mushrooms intended for the Japanese market. Should the differences with Hokto USA's mushrooms be considered material? *See Hokto Kinoko Co. v. Concord Farms, Inc.*, 738 F.3d 1085 (9th Cir. 2013) (affirms summary judgment for the plaintiff).