UNITED STATES ANNUAL REVIEW

The Sixtieth Year of Administration of the U.S. Trademark (Lanham) Act of 1946

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Theodore H. Davis, Jr. and Jordan S. Weinstein

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EDITOR’S NOTE

The 2008-2009 Board of Editors of THE TRADEMARK REPORTER® welcomes you to its first issue of 2008, the UNITED STATES ANNUAL REVIEW The Sixtieth Year of Administration of the U.S. Trademark (Lanham) Act of 1946. As was the case last year, this year’s UNITED STATES ANNUAL REVIEW has been ably authored by Theodore H. Davis, Jr. and Jordan S. Weinstein.

The 2008 UNITED STATES ANNUAL REVIEW contains summaries of the past year’s decisions rendered under the U.S. Trademark (Lanham) Act by the U.S. Court of Appeals for the Federal Circuit, the U.S. Court of Appeals for the District of Columbia Circuit, the U.S. courts of general jurisdiction, the U.S. Trademark Trial and Appeal Board, and the U.S. Commissioner for Trademarks. You will also find a Table of Cases cited in the 2008 UNITED STATES ANNUAL REVIEW, and the Annual Index of the articles that were published in 2007 in THE TRADEMARK REPORTER® arranged by authors, titles, and subject areas.

This issue also contains a small but significant change to the cover of THE TRADEMARK REPORTER®. Henceforth, THE TRADEMARK REPORTER® will be known as “The Law Journal of the International Trademark Association,” which we believe is a more descriptive identifier for our venerable publication.

Cliff Browning
Editor-in-Chief

* The Annual Review published here is a continuation of the work originated in 1948 by Walter J. Derenberg and written by him through The Twenty-Fifth Year in 1972. The Review here presented covers the period July 1, 2006 through June 30, 2007.
INTRODUCTION

By Theodore H. Davis, Jr.*

In contrast to its comparatively sedate immediate predecessor, the sixtieth year of administration of the Lanham Act produced some significant doctrinal developments in United States unfair competition law. Of greatest significance were several opinions clarifying the rules governing claims of trademark use, especially by claimants outside the country, as well as those greatly restricting the scope of the aesthetic functionality doctrine. The past year also produced the first cases to interpret and apply the amended Section 43(c) of the Act following the passage of the Trademark Dilution Revision Act (TRDA). Other trends included increasing judicial disagreement over the evidentiary significance of federal registrations that have not passed their fifth anniversary of issuance or that have not become incontestable for other reasons. Finally, the Board continued to take a hard line toward averments in the application process, even if federal district courts declined to take its lead.

On the actual use front, the year began favorably for foreign trademark owners. Reversing the Trademark Trial and Appeal Board’s treatment of the issue, the Federal Circuit rejected the proposition that use of a mark in connection with goods or services lawfully regulated by Congress is a prerequisite for establishing

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The author gratefully acknowledges the editorial commentary of Mary Kathryn Hagge and the assistance of Christy Flagler, Kathy Crosslin, Louise Adams, and Jennifer Elrod in preparing his contribution to this volume for publication.

prior rights in an opposition proceeding brought under Section 2(d) of the Lanham Act. According to the appellate court, Section 2(d) requires only that a mark be “used in the United States by another”—a foreign opposer therefore can present its opposition on the merits without showing use in commerce of its mark.

From that point on, however, things went downhill for foreign mark owners unable to demonstrate actual transactions under their marks, with the “famous mark” exception to the territoriality doctrine falling into particular disfavor. Although one Second Circuit district court held that “significant prudential considerations augur in favor of recognizing” the doctrine, this holding failed to anticipate the Second Circuit’s complete rejection of it as a matter of federal law several months later. Addressing the usual asserted bases for the doctrine one-by-one, the court found each unconvincing, including the theory that relief for the foreign plaintiff was mandated by the United States’s treaty obligations. The Second Circuit took particular aim at the Ninth Circuit rule that an exception to the territoriality principle was warranted on policy grounds. According to the former court, “any policy arguments in favor of the famous mark doctrine must be submitted to Congress for it to determine whether and under what circumstances to accord federal recognition to it.”

Having therefore dismissed any federal law basis of the famous marks doctrine, the court then addressed the subject of whether the doctrine could be grounded in New York common law. Rather than resolving this issue itself, the court chose instead to certify it to the New York Court of Appeals, but the outcome under state law was largely the same. The state court acknowledged that “when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this State, that goodwill is protected from misappropriation under New York unfair competition law.” Nevertheless, it also held that “we are not thereby recognizing the

9. ITC, 482 F.3d at 165.
10. See id. at 167.
12. Id. at *17.
famous or well-known marks doctrine, or any other new theory of liability under the New York law of unfair competition.”

Consequently, “[i]f a foreign plaintiff has no goodwill in this state to appropriate, there can be no viable claim for unfair competition under a theory of misappropriation.”

Although there were other notable decisions holding trademark claimants to high standards where actual use in commerce was concerned, the nature of defendants’ uses also came into play. To trigger liability, the Lanham Act’s statutory causes of action require that a defendant be using the challenged mark in commerce (in cases brought under Sections 32 and 43(a)) or making a “commercial use in commerce” (in cases brought under Section 43(c)). The issue of precisely what satisfies these requirements continued to produce inconsistent opinions in the context of purchases of trademarks as triggers for sponsored advertisements. For example, in the absence of controlling authority, district courts from the Third, Seventh, and Eighth Circuits concluded that a defendant’s purchase of a plaintiff’s trademark as a keyword constitutes a use in commerce. In contrast, a Second Circuit district court expanded the rule applicable in that jurisdiction that the sale of trademarks as keywords was not a use in commerce into a holding that their purchase in this context was similarly not actionable.

Courts also failed to find common ground on the increasingly divisive issue of what evidentiary weight should be accorded to a federal registration that has not yet become incontestable. Under both Sections 7(b) and 33(b), such a registration constitutes “prima facie evidence” of mark validity. Most courts to address the significance of these words concluded that they shift the burden of proof on the issue of mark validity from the registrant to a

13. Id. at *16-17.

14. Id.

15. See, e.g., CreAgri, Inc. v. USANA Health Sci., Inc., 474 F.3d 626 (9th Cir. 2007) (rejecting claim of priority based on use in violation of federal pharmaceutical labeling laws); In re Settec, Inc., 80 U.S.P.Q.2d 1185 (T.T.A.B. 2006) (rejecting brochure bearing applied-for mark as specimen in absence of applicant’s showing that affixation of mark to goods themselves was impracticable); Westrex Corp. v. New Sensor Corp., 82 U.S.P.Q.2d 1215 (T.T.A.B. 2007) (rejecting claims of priority based on analogous use of mark in advertising over eleven-year period).


defendant challenging the mark’s validity. Thus, as the First Circuit explained in addressing the alleged genericness of a registered mark, “[w]here . . . the party claiming infringement has registered the term on the Principal Register, the registration establishes a rebuttable presumption that the term is not generic. This presumption may be overcome where the alleged infringer demonstrates genericness by a preponderance of the evidence.”

In contrast, the Seventh Circuit resumed its role as the primary advocate for the rule that the registrant continues to bear the burden of proof on the issue. According to it, “the presumption of validity that registration creates is easily rebuttable, since it merely shifts the burden of production to the alleged infringer.”

Whether or not a registration was involved, the Board and courts alike continued their recent tendency to find claimed marks generic. Would-be designations of origin falling victim to this trend included “M4” for carbines, “brick oven” for pizza, “rebel” for grass seed, “lawyers.com” for “information exchange in the fields of law, legal news, and legal services,” “globalaw” for legal services, “spotprime” for paint primer, “krav maga” for martial arts instructional services, “kettle chips” for potato chips, and “nutritional bulletin” for the provision of “health and diet information.”

Hostility to overreaching claims extended to the trade dress arena, in which one court concluded that the appearances of designer ceramic tiles claimed by the plaintiff to function as brand signals were generic and therefore unprotectable.


22. See Custom Vehicles, Inc. v. Forest River, Inc., 476 F.3d 481 (7th Cir. 2007).

23. Id. at 485.


26. See In re Pennington Seed, Inc., 466 F.3d 1053 (Fed. Cir. 2006).

27. See In re Reed Elsevier Props., Inc., 482 F.3d 1376 (Fed. Cir. 2007).


driven by the facts and circumstances of each case, one consideration influenced the outcome in opinion after opinion, namely, the claimant’s own misuse of its putative mark as a noun.

Defendants also scored victories in dilution actions, aided in particular by the Fourth Circuit’s restrictive interpretation of the treatment of parodies by the revised federal statute. In the first reported opinion applying the new test for likelihood of dilution standard for liability, a Fourth Circuit district court entered summary judgment against the owner of the LOUIS VUITTON mark for luxury consumer goods, which had sued the purveyors of pet beds sold under the CHEWY VUITON name. In affirming, the Fourth Circuit deftly sidestepped the congressional compromise that prevents (or should prevent) trademark uses of challenged parodies from qualifying for the “exclusions” of the amended Section 43(c). According to the appellate court, “[t]he TDRA . . . does not require a court to ignore the existence of a parody that is used as a trademark, and it does not preclude a court from considering parody as part of the circumstances to be considered for determining whether the plaintiff has made out a claim for dilution by blurring.” Consequently, “while a defendant’s use of a parody as a mark does not support a ‘fair use’ defense, it may be considered in determining whether the plaintiff-owner of a famous mark has proved its claim that the defendant’s use of a parody mark is likely to impair the distinctiveness of the famous mark.”

On the plaintiffs’ side of the ledger, however, several potentially far-reaching opinions took aim at the aesthetic functionality doctrine. For example, the Ninth Circuit rejected as matter of law the proposition that a defendant’s affixation of the plaintiffs’ marks to its own goods qualified as a nonactionable aesthetically functional use. As the court explained, “[a]ccepting [this] position would be the death knell for trademark protection. It would mean that simply because a consumer likes a trademark, or finds it aesthetically pleasing, a competitor could adopt and use the mark on its own products.” In another case, a Fifth Circuit

35. Id. at 267.
36. Id.
37. See Nova Wines, Inc. v. Adler Fels Winery LLC, 467 F. Supp. 2d 965 (N.D. Cal. 2006) (rejecting claim that images of Marilyn Monroe were aesthetically functional when applied to wine labels); Tex. Tech. Univ. v. Spiegelberg, 461 F. Supp. 2d 510 (N.D. Tex. 2006) (rejecting aesthetic functionality challenge to university’s verbal marks and stylized mascot designs when applied to clothing and other promotional goods).
39. Id. at 1064.
district court entered summary judgment of infringement against the producers of sportswear that featured the color schemes of four universities but did not identify the universities by name.\(^{40}\) It too rejected an aesthetic functionality defense on the ground that “consumers purchase shirts of the universities’ color schemes, logos, and designs in order to show support for the particular university; there is no consumer demand without these identifying characteristics. They have no demonstrated value other than their significance to identify with the universities.”\(^{41}\) Under this trend, a plaintiff’s trademark therefore does not become aesthetically functional just because the mark’s affixation to a defendant’s goods will result in greater sales of those goods.

A final noteworthy characteristic of reported opinions over the course of the Lanham Act year was the Board’s continued scrutiny of submissions made in support of trademark applications.\(^{42}\) Nevertheless, and although one district court followed the Board’s lead in finding that a registrant had committed fraud by failing to disclose a utility patent bearing on the applied-for mark,\(^{43}\) other district courts proved more accepting of applicants’ filings. Of perhaps greatest significance, one court rejected the argument that a registrant was obligated to amend its registration to delete goods no longer in use before the deadline for filing a declaration of continuing use.\(^{44}\) Another rejected several theories of fraudulent procurement, including the registrant’s allegedly underinclusive identification of services, as well as the fact that the registrant was arguably a mere licensee, rather than the actual owner of the underlying mark.\(^{45}\) As in other recent years, therefore, this dichotomy in the case law suggests that a mark owner with irregularities in the file wrapper history of its registration would do well to have those irregularities addressed in a forum other than before the Board.


\(^{41}\) Id. at 662.

\(^{42}\) See In re Dermahose Inc., 82 U.S.P.Q.2d 1793 (T.T.A.B. 2007) (affirming rejection of verification of information in application executed by attorney on behalf of applicant’s president).


PART I. EX PARTE CASES

By Jordan S. Weinstein∗

A. Court of Appeals for the Federal Circuit

1. Genericness

a. Mark Found to Be Generic

In re Pennington Seed, Inc.

A purveyor of grass seed that sought to register the varietal name REBEL as a trademark had no better luck at the Federal Circuit than it had before the Trademark Trial and Appeal Board (the “Board”).46 Prior to seeking trademark registration for REBEL, the applicant had designated the term as the varietal (or cultivar) name for a particular type of grass seed. The Federal Circuit confirmed that varietal names are generic ab initio.47 Such names cannot be registered because those in the trade “need to call it by the name that it is known or otherwise consumers will not know what they are buying.”48

In re Rodale Inc.

In a case illustrating the fact that one plus one usually equals two, the Board affirmed the refusal by the United States Patent and Trademark Office (USPTO) to register NUTRITIONAL BULLETIN as generic for providing information in the field of health and diet via an Internet website.49 To determine genericness, the Board must first determine the genus of the goods or services at issue and then determine whether the term sought to be registered is understood by the relevant purchasing public primarily to refer to that genus of goods or services.50 The Board

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46. In re Pennington Seed, Inc., 466 F.3d 1053 (Fed. Cir. 2006).
47. Id. at 1060.
48. Id. at 1059 (quoting In re KRB Seed Co., 76 U.S.P.Q.2d 1156, 1160 (T.T.A.B. 2005)).
50. Id. at 1698.
determined that the genus of services was accurately described by the applicant’s recitation of services; namely, providing information in the field of health and diet via a website on the Internet.\textsuperscript{51} The Board found that nutrition is defined, in part, as the science or study of food and nourishment, while nourishment means health and diet. “Bulletin” is the generic name for the applicant’s information services in the manner in which they are rendered. The combination of the words would be understood by purchasers to refer to the genus of services at issue here. The Board affirmed the refusal to register, admitting that it was troubled by the fact that the applicant had already obtained a number of supplemental registrations for BULLETIN marks,\textsuperscript{52} including a prior registration for NUTRITION BULLETIN.\textsuperscript{53} The Board nonetheless found the mark to be generic based upon clear evidence, confirming oft-quoted prior case law that a foolish consistency may be the hobgoblin of little minds, but it does not bind the Board.\textsuperscript{54}

\textbf{B. Trademark Trial and Appeal Board}

\textit{1. Likelihood of Confusion}

\textit{a. Likelihood of Confusion Not Found}

\textit{In re Box Solutions Corp.}

Two marks that shared a weak common element for products sold to sophisticated purchasers made for a weak likelihood of confusion case.\textsuperscript{55} The applicant appealed the USPTO’s refusal to register the applicant’s mark BOX SOLUTIONS & Design for communication services based upon a cited registration for BOX & Design for computers and computer peripherals. After affirming the Examining Attorney’s requirement for a disclaimer of “solutions,”\textsuperscript{56} the Board considered whether these two marks were likely to be confused. The Board found that the applicant’s evidence of third-party registrations and a dictionary definition proved that BOX was very weak for computer-related goods. The Board found that sophisticated purchasers would readily

\textsuperscript{51} Id. at 1699.

\textsuperscript{52} These include registrations numbers 2,914,031 and 2,956,178 for WEIGHT LOSS BULLETIN, registration numbers 2,937,172 and 2,974,874 for MUSCLE BULLETIN, and registration number 2,920,260 for SEX BULLETIN.

\textsuperscript{53} Registration number 2,984,357 for “magazine column and sections in the fields of health, fitness, diet and exercise and lifestyle.”

\textsuperscript{54} \textit{See, e.g., In re Nett Designs, Inc.}, 236 F.3d 1339 (Fed. Cir. 2001).

\textsuperscript{55} \textit{In re Box Solutions Corp.}, 79 U.S.P.Q.2d 1953 (T.T.A.B. 2006).

\textsuperscript{56} See below at I.B.7.a.
understand the meaning of the word BOX and would not assume the parties’ goods were related simply because the marks share this word. The Board found that the prominent differences in the design marks outweigh the similarity of the common, weak word and as a result, there was no likelihood of confusion. This case was an exception to the general rule that word elements receive more weight in the likelihood of confusion analysis than design elements.

*In re Homeland Vinyl Products, Inc.*

If a drawing of a configuration mark depicts part of a product in dotted lines, that part of the product is not part of the mark and cannot be considered for purposes of determining likelihood of confusion. The Board rejected an Examining Attorney’s analysis to the contrary and permitted an applicant to register its fence rail configuration mark over a cited registration. The cited mark showed the entirety of the fence rail in dotted lines with the exception of a tapered, rounded flourish at the bottom. The Examining Attorney compared the entirety of the registered configuration to the applicant’s mark, stating that prospective consumers would view the goods in their entireties and not be aware of the trademark law distinction that only the specific feature claimed acted as a source indicator. The Board reversed this decision on appeal. The Board found that the Examining Attorney’s analysis improperly applied a disclaimer analogy for word marks, to configuration marks. In the former, it is improper to remove disclaimed matter from a cited mark simply because the matter is disclaimed. In the latter, the portion in broken lines is simply not part of the mark. Construing the mark otherwise would improperly broaden a registrant’s rights. Here, the proper analysis is to consider only the flourish as registrant’s mark. Employing the likelihood of confusion test for configuration marks—namely, the overall visual impression derived from viewing the marks in their entireties, the Board found the marks to be sufficiently dissimilar to avoid a likelihood of confusion and reversed the refusal to register.

58. T.M.E.P. § 1202.02(d); *see also In re Water Gremlin Co.*, 635 F.2d 841 (C.C.P.A. 1980).
2. Geographic Descriptiveness

a. Mark Found Geographically Descriptive

In re Joint-Stock Company, Baik

The fact that the location from which the applicant’s products emanate is also the applicant’s mark may make that mark geographically descriptive, but only if purchasers would recognize the term as indicating a geographic source. In the case of BAIKALSKAYA (which means “from Baikal” in Russian), the Examining Attorney found the mark geographically descriptive of vodka made in Irkutsk, a city near the lake. The Board affirmed. Lake Baikal, the deepest lake in the world, is frequently mentioned in the U.S. press. Seeing BAIKALSKAYA on a vodka bottle, a significant portion of consumers would conclude that it was a place name and that the vodka came from it. A goods-place association can be presumed because the applicant was located near Lake Baikal and acknowledged that its vodka is made there.

In re Brouwerij Nacional Balashi NV

However, the applicant who sought to register BALASHI and BALASHI BEER in connection with beer succeeded in overcoming a refusal that the mark was geographically descriptive of the Balashi neighborhood of the Santa Cruz District of Aruba—where the applicant’s brewery was located—by introducing proof that the location is so remote that it does not appear in dictionaries, encyclopedias or maps. While a public association of the goods with the geographic location is ordinarily presumed when the applicant’s goods or services come from the place named by the mark, an applicant can shift the burden back to the Examining Attorney by proving that the place named in the mark is so obscure or remote that purchasers would typically fail to recognize the term as indicating the geographic source of the goods, requiring the Examining Attorney to provide evidence sufficient to establish a public association of the goods or services with the place. Recognizing that it must deal with the supposed reactions of the average American beer consumer rather than the

65. Id.
unusually well-traveled tourist or the aficionado of foreign beers, the Board agreed that the applicant’s evidence was sufficient to create a genuine issue regarding the primary significance of the term, overcoming the presumption of a goods-place association and shifting the burden to the Examining Attorney to prove one. Holding that the Examining Attorney failed to establish that relationship, the Board reversed the refusals to register the marks.

3. Descriptiveness

   a. Mark Found to Be Descriptive

   *In re Vanilla Gorilla, L.P.*

   Size designators are descriptive for the products they designate, and mere variations on those designators will not avoid a finding of descriptiveness. An applicant who sought to register 3-O’S in connection with automobile wheel rims received a rejection on this basis and fared no better on appeal to the Board. The Board found that the applicant’s goods included wheel rims which were 30 inches in diameter. Wheel rims are frequently referred to by a number describing their size, and the slight variation from “30’s” to the applicant’s mark “3-O’S” did not change the descriptive nature of the term.

   *In re Viventia Biotech*

   The Board affirmed an Examining Attorney’s refusal to register ARMED ANTIBODIES for, *inter alia*, hybridoma-generated antibodies for use in treatment of cancer because the mark was merely descriptive. The Examining Attorney submitted articles and webpages showing that linking antibodies to radioisotopes, chemotherapeutic compounds or toxins is referred to as “arming” them, and referring to the resulting compounds as “armed antibodies.” The Board determined that the authors of these articles must have believed that this was the appropriate way to refer to these compounds, and that readers would understand the meaning of the term. The Board found that this evidence was sufficient to conclude that ARMED ANTIBODIES would be immediately understood by relevant consumers as antibodies linked with toxins, radioisotopes, etc. Because the applicant’s identification of goods was broad enough to encompass

67. *Id.* at 1830.
such antibodies, or preparations used to make them, the mark directly conveyed information about significant features of the preparations. Therefore, the Board found that ARMED ANTIBODIES directly described characteristics of the goods, making the mark merely descriptive.

In re Litehouse, Inc.

The Board also refused registration of CAESAR! CAESAR! as a trademark for salad dressings. The Board found that dictionary definitions and NEXIS articles proved that CAESAR was descriptive for salad dressing. Neither the repetition of the merely descriptive word nor the addition of exclamation points were sufficient to negate the mere descriptiveness of the mark. The applicant attempted to overcome this finding by submitting registrations for the mark PIZZA! PIZZA!, but the Board rejected this argument on the basis of its well worn adage that two wrongs don’t make a right.

4. Geographic Deceptive Misdescriptiveness

a. Mark Found Primarily Geographically Deceptively Misdescriptive

In re South Park Cigar, Inc.

To be found primarily geographically deceptively misdescriptive, a mark’s primary significance must be a generally known geographic location, the consuming public must be likely to believe the place identified by the mark indicates the origin of the goods, when the goods in fact do not come from there, and the misrepresentation must be a material factor in a consumer’s decision to purchase the goods. In an application to register YBOR GOLD for cigars and tobacco, an applicant attempted to avoid a refusal on the basis of primary geographical deceptive
misdescriptiveness by arguing that it was “relocating its office to Tampa where the applicant’s goods will originate from.” In essence, the applicant attempted to convert its mark from primarily merely geographically deceptively misdescriptive (unregistrable in any case) to primarily merely geographically descriptive (registrable with a disclaimer of the geographic term). This statement was insufficient for both the Examining Attorney and the Board. Just because the applicant is located in Tampa does not mean that the applicant is necessarily located within the Ybor City section of Tampa, as opposed to some other section of Tampa. Although the Board suggested that the Examining Attorney could have resolved this issue conclusively by requiring the applicant to provide its street address, the Board found that the applicant’s failure to produce information sufficient to show that it had an Ybor City address to be compelling evidence that it did not. Likewise, the Board found that “Ybor City” is the name of a specific neighborhood or area located in Tampa, Florida; that it is a generally known geographic location; that the primary significance of the applicant’s mark YBOR GOLD is that of this location—particularly since Ybor City is often referred to as “Ybor”; that the presence of the laudatory term GOLD in the applicant’s mark fails to detract from geographic significance of Ybor; that Ybor City has a well-known association as the one-time cigar capital of the world, making it likely that the relevant purchasing public would associate cigars and Ybor City in creating a goods-place association between them; and that this misrepresentation could be material for prospective purchasers because Ybor City is renowned for its cigars, which are a traditional product of the region and thus the mistaken assumption of a connection with YBOR GOLD to Ybor City would be material to a decision to purchase the goods. The Board affirmed the refusal to register on the basis of primary geographic deceptive misdescriptiveness.

5. False Suggestion of a Connection

a. Suggestion Was False

In re White

Avid readers of this journal may remember Julie White’s unsuccessful effort to register APACHE in connection with cigarettes.77 Her effort to register MOHAWK for cigarettes also met with a refusal on the basis that it would falsely suggest a connection78 with the St. Regis Band of Mohawk Indians of New

York, of which Ms. Brown is a member. The Board found that the Examining Attorney met her burden of proving the four elements of a false suggestion case, namely that: (1) the mark is the same as or a close approximation of the name or identity previously used by another person or institution; (2) the mark would be recognized as such in that it points uniquely and unmistakably to that person or institution; (3) the person or institution named by the mark is not connected with the activities performed by the applicant under the mark; and (4) the fame or reputation of the person or institution is such that when the mark is used with the applicant’s goods or services, a connection with the person or institution would be presumed.

The Board agreed with the Examining Attorney that the applicant’s mark takes a significant element of the name of the St. Regis Band of Mohawk Indians of New York, and is thus a close approximation of the name. The term MOHAWK is historically associated with the tribe, while the applicant is not. Finally, the tribe’s reputation is such that a connection with the tribe would be presumed if MOHAWK were used with cigarettes. Finding that the record supported the refusal of MOHAWK because its use would falsely suggest a connection between the applicant and the MOHAWK tribe, the Board affirmed the refusal to register.

6. Acquired Distinctiveness

a. Distinctiveness Was Not Acquired

In re Howard Leight Industries, LLC

Product configurations are not inherently distinctive, but may be registrable on the Principal Register if the applicant proves the configuration has acquired distinctiveness. The applicant bears the burden of proving acquired distinctiveness by a preponderance of evidence. Having already found the applicant’s

79. White, 80 U.S.P.Q.2d at 1658.
81. White, 80 U.S.P.Q.2d at 1658.
82. Id. at 1659.
83. Id. at 1661. The fact that the applicant was a member of the tribe was insufficient; rather, some ownership or commercial connection must be established. Id. at 1660; see also Sloppy Joes Int’l, 43 U.S.P.Q.2d at 1350.
84. Id. at 1662.
ear plug configuration to be functional and ineligible for registration in any case, the Board also found the applicant’s evidence of 15 years of substantially exclusive and continuous use, and sales of one billion units over a three-year period insufficient to establish acquired distinctiveness. The Board found the sales figures insufficient without the context of what percentage of the market this number comprises or that the sales figures alone proved that purchasers viewed the shape of the ear plug as a mark. The Board viewed the applicant’s advertisements to be similarly unhelpful because they contained nothing that would condition purchasers to look for the shape of the ear plugs as a source indicator; rather the advertisements encouraged purchasers only to view the designation MAX, and not the shape of the goods, as the trademark for the goods.

**b. Distinctiveness Was Acquired**

*In re Black & Decker Corp.*

Black & Decker Corp. fared better in its bid to establish that its octagonal key head configuration had acquired distinctiveness. In addition to proof of $20 million spent on advertisements and marketing, and $500 million in sales over a four-year period, the applicant submitted proof that its mark was in exclusive use for twenty-four years, together with eight retailer and two consumer declarations stating that customers recognize the design as identifying the applicant’s products. Key among these were statements that it was an industry practice to use different and identifiable key head designs for lock sets and keys, and that other manufacturers use different configurations for their key heads. Giving weight to evidence of the industry practice, the Board found that the applicant’s design was unlike any of the third-party designs used by other manufacturers, and thus constituted competent evidence of consumer recognition. The Board brushed aside the Examining Attorney’s argument that the applicant’s retailers were biased, stating that there was no evidence that the retailers would be predisposed to say that the applicant’s goods were identified by a key head design. While acknowledging that two consumer declarations were not an overwhelming quantum of evidence, considering the evidence in its entirety, the Board found that the applicant established a prima

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88. See below at I.B.8.a.
90. *Id.*
91. *Id.*
facie case of acquired distinctiveness and reversed the refusal to register.

7. Disclaimer Requirement

a. Disclaimer Requirement Affirmed

_In re Box Solutions Corp._

The USPTO can require an applicant to disclaim unregistrable components of a mark otherwise registrable,\(^{93}\) such as merely descriptive terms.\(^{94}\) Third-party registrations disclaiming a word common to the applicant’s mark\(^{95}\) and dictionary definitions\(^{96}\) for the term are competent evidence to support an Examining Attorney’s disclaimer requirement. In the case of an application to register BOX SOLUTIONS & Design in connection with communication servers, third-party registrations disclaiming the term SOLUTIONS and a dictionary definition all confirmed that the word “solution” describes the purpose of a computer to resolve a problem.\(^{97}\) As a result, the Board found SOLUTIONS to be descriptive of the applicant’s goods and that a disclaimer requirement was appropriate.\(^{98}\)

_In re Brown-Forman Corp._

Faced with a requirement to disclaim ROUGE (French for “red”) from the mark GALA ROUGE for wines, the applicant argued that the two words formed a unitary mark for which no disclaimer was necessary.\(^{99}\) A mark will be found unitary if its elements are inseparable and have a distinct meaning independent of the meaning of the individual words,\(^{100}\) allowing the applicant to overcome the disclaimer requirement. Here, the applicant’s evidence failed to persuade the Board. The other ROUGE marks cited by the applicant that did not have disclaimers, for example, BATON ROUGE and MOULIN ROUGE, had pre-existing, well-recognized unitary significance to consumers. To the contrary, the applicant’s mark GALA ROUGE had meaning only as part of the applicant’s current marketing campaign. The Board found that

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\(^{94}\) _Id._ § 1052(e)(1).


\(^{97}\) _In re Box Solutions Corp._, 79 U.S.P.Q.2d 1953 (T.T.A.B. 2006).

\(^{98}\) _Id._ at 1956.


purchasers would view GALA as a brand name and ROUGE as the color of the wine. The Board affirmed the refusal to register, which would be set aside if the applicant entered a disclaimer within 30 days.

8. Functionality

a. Claimed Mark Was Found Functional

In re Howard Leight Industries, LLC

The existence of a utility patent disclosing that a configuration mark has utilitarian advantages is one of four types of evidence that a configuration mark is functional. The other three are advertising materials touting the design’s utilitarian advantages, availability to competitors of functionally equivalent designs, and facts indicating that the design results in a comparatively simpler or cheaper method of manufacturing the product. Taken together, these four factors are known as the Morton-Norwich factors. The applicant seeking to register the configuration of an ear plug argued that reference to the product’s advantages in patent claims rather than in a patent specification is not competent evidence of functionality. The patent in question was directed primarily toward the nature of the foam that was an ingredient of the plug; however, the patent specifically disclosed and claimed functional advantages of the plug’s shape.

The Board found that the distinction the applicant attempted to draw was relevant to the purpose of determining confusing similarity, not functionality. Any doubt as to whether patent claims constitute evidence of functionality was resolved by the Supreme Court in TrafFix, which repeatedly referred to the patent’s claims as evidence of functionality. TrafFix also altered the relevance to the functionality determination of the availability of alternative designs. While alternative design evidence is “properly part of the overall mix,” once a product feature is found functional based on other considerations, there is no need to consider the availability of alternative designs. Because the

102. Id.
105. Id. at 1510.
106. Id. at 1511.
108. Howard Leight, 80 U.S.P.Q.2d at 1515 (quoting Valu Eng’g v. Rexnord Corp., 278 F.3d 1268 (Fed. Cir. 2002)).
applicant’s expired utility patent was a sufficient basis in itself to find the ear plug configuration functional, there is no need to consider the availability of alternative designs.

9. Specimen of Use in Commerce

a. Specimen Not Acceptable to Show Use in Commerce

_In re Settec, Inc._

When it is not possible for an applicant to place its mark on packaging or on the goods sought to be identified by the mark, the Trademark Office may accept as a specimen another document related to the goods or to their sale. However, where the failure to place the mark on goods or packaging resulted not from impracticability, but from the applicant’s choice, the Board will affirm a refusal to register. The applicant sought to register ALPHA-DISC & Design in connection with blank optical disks, CD-ROM disks, video disks and the like. With its Statement of Use, the applicant submitted as a specimen a brochure directed to audio CD copy protection. The Examining Attorney refused registration on the ground that the applicant’s specimen was not acceptable to show use of the designation in connection with the goods. The applicant explained that it was impracticable to place the mark on the actual discs because the applicant did not wish to disclose to retail customers that the discs were copy protected, thereby inviting consumers to “hack” or break the copy protection. The Board rejected this argument. Recognizing that the relevant customers for the applicant’s products were not retail consumers but content providers who would be placing content on the applicant’s discs, the Board found that there were ways in which these content providers could expect to encounter the applicant’s source-indicators in the context of the applicant’s software and hardware. For example, the mark could appear on the copy protection software, on packaging for the tangible media products, on inserts included with the software, with the discs sent to pressing houses, or even in the form of a catalog. Finding that it was not impracticable for the applicant to affix its mark to the goods in a traditional manner, the Board affirmed the refusal to register.

109. 37 C.F.R. § 2.56(b)(1).
111. _Settec Inc._, 80 U.S.P.Q.2d at 1188.
10. Declaration in Statement of Use

a. Declaration Not Acceptable

In re Dermahose Inc.

A Statement of Use must include a statement that the applicant believes it is the owner of the mark and that the mark is in use in commerce, specifying the date of first use of the mark and the first use date in commerce, and the goods or services in connection with which the mark is used.112 This statement must be signed and verified, or supported by a Declaration Under Trademark Rule 2.20.113 But what if the person signing the Declaration is not attesting to the facts, but merely executing the Declaration on behalf of another? In an Intent-to-Use application to register EPIL HOSE for “pantyhose treated with inhibitors of hair growth,”114 the applicant submitted a Statement of Use containing the following language:

Paul Zaidman declares: that he is President of the Applicant of the above-captioned application and has authorized MYRON AMER, as attorney, to execute this Declaration on his behalf; that he believes said Applicant to be the owner of the trademark sought to be registered and entitled to use the mark in commerce; that to the best of his knowledge and belief, no other person, firm, corporation or associate [sic] has the right to use said mark in commerce, either in the identical form or in such near resemblance thereto as may be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake or to deceive; ***, that all statements made of his own knowledge are true and that all statements made upon information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any registration resulting therefrom.

The Examining Attorney deemed the Declaration unacceptable because the signer made no statements; rather, the Declaration was a statement of the beliefs of the applicant’s President, who did not sign the Declaration. When registration was refused, the applicant appealed to the Board. The applicant maintained that the Declaration constituted an implied power of

112. 37 C.F.R. § 2.88.
113. Id. § 2.20.
attorney, giving the applicant’s counsel authorization to sign the Declaration.

While changes to the Trademark Rules\textsuperscript{115} permit attorneys to sign the application and other papers, including Statements of Use, even the modifications to the Rules do not provide authority for attorneys to sign another person’s declaration. The Board specifically held that despite any authority counsel receives from the applicant to sign the Statement of Use it would not be recognized by the USPTO. The critical defect in the applicant’s Statement of Use was removal of the language “the undersigned.”\textsuperscript{116} By this statement and other oaths, sworn statements or unsworn Declarations under penalty of perjury, the person making them is subjecting himself or herself to criminal penalties for making statements that the person knows are not true. In the applicant’s statement, the undersigned is neither declaring nor subjecting himself to anything. As such, the Declaration failed to meet the requirements of Trademark Rule 2.20, making the applicant’s Statement of Use insufficient. As a result, the Board affirmed the Examining Attorney’s refusal to register.

11. Appeal of Application of “Clear Error” Standard

\textit{a. Appeal Denied}

\emph{In re Jump Designs, LLC}

The ITU applicant for the mark JUMP DESIGNS found to its chagrin that it was a day late and one appeal short.\textsuperscript{117} After the application initially cleared examination and received a Notice of Allowance, the applicant mistakenly abandoned the application. After the applicant’s Petition to Revive was filed and granted, the Examining Attorney performed a new search and refused registration based on a prior registration for JUMP in connection with furniture and accessories. The applicant appealed the refusal to the Board, arguing that the refusal was procedurally defective because the Examining Attorney raised no use-related arguments, cited no new evidence that was not available to the Examining Attorney in the initial review, and was not based on and failed to

\begin{itemize}
  \item \textsuperscript{115} 64 Fed. Reg. 48900, 48901-02 (Sept. 8, 1999).
  \item \textsuperscript{116} 37 C.F.R. § 2.20 permits use of the following statement: \textit{the undersigned} being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements and the like may jeopardize the validity of the application or document or registration resulting therefrom, declares that all statements made of his/her own knowledge are true; and all statements made on information and belief are believed to be true. (emphasis added).
  \item \textsuperscript{117} \textit{In re Jump Designs, LLC}, 80 U.S.P.Q.2d 1370 (T.T.A.B. 2006).
\end{itemize}
mention the “clear error” standard for a refusal of registration made after the filing of a Statement of Use.\textsuperscript{118}

The Board found that the applicant raised an argument that it was too late to answer, and that the Board could not answer in any case. Questions on the applicability of the “clear error” standard are reviewable only by petition to the Director.\textsuperscript{119} Even though the Examining Attorney’s Office Action failed to state that it was made under the clear error standard, the Board found that this did not excuse the applicant from failing to follow the proper procedure. The Board found that it should have been obvious to the applicant that the refusal was made under the “clear error” standard because it was made following the submission of a Statement of Use.\textsuperscript{120} The Board’s review of the issue is limited to the correctness of the underlying substantive refusal to register,\textsuperscript{121} and it will not second guess the application of the “clear error” standard.\textsuperscript{122} The applicant should have filed a petition to the Director within two months of the Office Action’s mailing date in which the refusal was first raised.\textsuperscript{123} Because the applicant failed to do so, the Board was constrained to review only the correctness of the underlying substantive issue, namely, whether the marks were likely to cause confusion. Finding the marks to be legally identical and to share the same dominant portion, the Board resolved the question in favor of the prior registrant and affirmed the refusal to register.

\section*{PART II. INTER PARTES CASES}

By Jordan S. Weinstein

\textbf{A. Court of Appeals for the Federal Circuit}

\textit{1. Use in Commerce}

\textit{a. Use in Commerce Not Found, But Not Essential to Opposition}

\textit{First Niagara Insurance Brokers, Inc. v. First Niagara Financial Group, Inc.}

The Federal Circuit reversed a Board decision dismissing oppositions filed by a Canadian insurance broker for failure to

\textsuperscript{118} T.M.E.P. § 1109.08.
\textsuperscript{119} Id.
\textsuperscript{120} Jump Designs, 80 U.S.P.Q.2d at 1373.
\textsuperscript{121} Id. (citing In re Sambado & Son, Inc., 45 U.S.P.Q.2d 1312 (T.T.A.B. 1997)).
\textsuperscript{122} T.M.E.P. § 1109.08.
\textsuperscript{123} 37 C.F.R. § 2.146(d); see also T.M.E.P. § 1705.04.
prove use of its marks in commerce. The opposer, a Canadian insurance broker operating out of Ontario, Canada, had no physical presence in the United States and was not licensed as an insurance broker anywhere other than Canada. However, the opposer argued that it had connections to the United States, such as selling insurance policies issued by U.S.-based underwriting companies, selling policies through U.S. insurance brokers to U.S. citizens owning Canadian property, providing insurance to facilitate travel by Canadians to the United States, providing liability insurance to Canadian businesses that bring tourists to the United States, and providing commercial liability policies to Canadian businesses doing business in the United States. The opposer owned no trademarks registered in the United States, but used the unregistered marks FIRST NIAGARA and FIRST NIAGARA INSURANCE BROKERS in advertising (some of which “spilled over” into the United States) and correspondence (some of which was sent to business contacts in the United States).

The applicant was also an insurance broker, located in New York. The applicant sought to register the marks FIRST NIAGARA, FIRST NIAGARA FINANCIAL GROUP, FIRST NIAGARA ON-LINE, FIRST NIAGARA BANK’S CUSTOMER CONNECTION LINE, FIRST NIAGARA E-CD, and a design mark. The Canadian insurance broker opposed each of these applications, based upon its prior common law use of its FIRST NIAGARA marks in the manner discussed above.

The Board dismissed all the oppositions, finding that the opposer’s activities did not constitute rendering of insurance brokerage services either in interstate or foreign commerce. Rather, the opposer’s activities in the United States were simply a necessary part of its Canadian business. Therefore, the opposer’s only connections to the United States were de minimus and incidental to the opposer’s rendering of insurance brokerage services in Canada.

Reviewing the Board’s legal conclusions de novo, the Federal Circuit found the Board’s analysis to be improper. The Federal Circuit found that the Board assumed that the opposer’s prior use claim could succeed only where the opposer proved use of its mark in connection with services rendered in commerce lawfully regulated by Congress. The Federal Circuit deemed this assumption to be unwarranted because the plain language of the


125. Id.


127. First Niagara, 476 F.3d at 870-71.
Lanham Act merely requires that the prior mark was “used in the United States by another.”\textsuperscript{128} Therefore, rather than having to prove use in commerce lawfully regulated by Congress, a foreign opposer can support its opposition on the merits by proving mere use of its mark in the United States.\textsuperscript{129}

The Federal Circuit noted that the opposer failed to contest the Board’s use of the unnecessarily high “use in commerce” standard.\textsuperscript{130} While the Federal Circuit seemed tempted to deem the issue waived and decide the case as presented, the Court believed that rendering a decision predicated on a hypothetical reading of Section 2(d) of the Lanham Act—as if it required “use in commerce” instead of mere use in the United States—would be imprudent. The Federal Circuit applied the correct test and held that the Board erred in dismissing the appellant’s oppositions. Finding that the appellant made more than ample use of its marks in the United States to satisfy the use requirements of Section 2(d) of the Lanham Act,\textsuperscript{131} the Federal Circuit reversed the decision below and remanded the case for further proceedings consistent with its opinion.

Empirically, if a foreign company is not using its marks in connection with services rendered in the United States, whether in foreign commerce, interstate commerce or any commerce, it seems difficult to imagine that the company can be rendering services in connection with the mark in the United States. The Federal Circuit never discussed how the appellant was using its marks in the United States and did not give the Board a chance to consider the issue, either. Accordingly, it will be interesting to see what effect this decision may have on foreign companies’ standing to oppose marks when they are not selling goods or rendering services in the United States.


\textsuperscript{129} First Niagara, 476 F.3d at 871.

\textsuperscript{130} Curiously, the Federal Circuit stated that the Board apparently found the opposer to have waived the right to argue the lesser use requirement. The Federal Circuit provided no citation to the decision or the record for this assertion. In any event, the first opportunity for the appellant-opposer to contest the Board’s use of its higher standing would have been after the Board rendered its decision, not before. It is difficult to envision how the appellant-opposer could have waived the right to argue this issue before the Board, or how the Board could have made a finding to this effect, implicit or otherwise.

\textsuperscript{131} The Federal Circuit’s opinion lacks any discussion of why the appellant’s use of its marks satisfied the Section 2(d) requirement of use in the United States.
b. Res Judicata

(1) Proceeding Was Not Barred by Res Judicata

*Sharp Kabushiki Kaisha v. ThinkSharp, Inc.*

*Res judicata* may be applied to bar a tribunal from considering a particular claim that was or should have been litigated in a previous proceeding. The doctrine encompasses two related concepts: claim preclusion, in which a judgment forecloses litigation of a matter that has never been litigated because it should have been advanced in an earlier suit, and issue preclusion, which forecloses re-litigation of an issue that previously has been litigated and decided.

Claim preclusion was considered in the context of two applications to register THINKSHARP (with and without a design element) to identify goods and services for problem solving and critical thinking. Both applications were opposed, but only the word mark application was defended. The Board entered a default judgment sustaining the word-and-design mark opposition. After proceedings were complete in the word mark opposition but before the Board rendered its decision, the opposer asserted that the applicant’s default in the word and design mark proceeding operated as *res judicata* to preclude the applicant from contesting the opposition against the word mark. The Board rejected this argument, finding that the opposer failed to put the applicant on notice of the issue, and indeed failed to raise it until after the evidentiary proceedings were complete. The Board also denied the opposition on the basis that confusion between the opposer’s and applicant’s marks was unlikely. After the Board denied its request for reconsideration, the opposer appealed the issue to the Federal Circuit.

For claim preclusion to apply, there must be an identity of parties between the first proceeding and the second, a final judgment on the merits in the prior case, a second claim based upon the same transactional facts as the first, and a finding that the issue should have been litigated in the prior case. Due process and the interests of justice require cautious application of the *res judicata* doctrine where, as here, the earlier proceeding was not litigated on the merits and the application of the doctrine would deny a party its day in court.

Here, the Federal Circuit found that the opposer failed to establish that the issue of likelihood of confusion as to the word

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133. *Id.* at 1378 (citing Park Lane Hosiery Co. v. Shore, 439 U.S. 322 (1979)).
mark should have been litigated in the defaulted opposition against the word-and-design mark. Further precedent and policy supported the Board’s reasoning that a trademark owner is entitled to choose which opposition to defend, when the proceedings are not an attempt to evade the effect of a previous adverse judgment on the merits. In essence, the applicant was not required to litigate both oppositions in order to preserve the right to litigate one.135 As a result, the Federal Circuit affirmed the Board’s holding that the applicant’s choice to contest the word mark only was not barred by its default in the word-and-design mark proceeding.

c. “Excusable Neglect” for Reopening Testimony Period

(1) Excuse Was Not Excusable Neglect

First Health of the Carolinas, Inc. v.
CareFirst of Maryland, Inc.

Last year’s bitter opposition dispute over the mark FIRSTCAROLINACARE became this year’s appeal on procedural grounds.136 As reported last year, the opposer CareFirst opposed FirstHealth’s applications to register FIRSTCAROLINACARE based upon the opposer’s mark CAREFIRST.137 FirstHealth counterclaimed to cancel the opposer’s registration of the CAREFIRST mark on the basis of abandonment due to uncontrolled licensing. Three weeks after FirstHealth’s testimony period on its cancellation counterclaim closed, FirstHealth moved to reopen its testimony period to file a Notice of Reliance on a discovery deposition to prove its claim of uncontrolled licensing. FirstHealth asserted its late filing was caused by the birth and later hospitalization of counsel’s son, the significant amount of testimony that was taken in the case, time conflicts with unrelated matters and a docketing error made by a new paralegal. The Board found that FirstHealth had failed to demonstrate excusable neglect necessary to reopen the testimony period and denied the motion. FirstHealth appealed to the Federal Circuit.

To determine whether the Board erred in denying a party’s motion to reopen its testimony period, the Federal Circuit uses an equitable test that considers all of the relevant circumstances, including the danger of prejudice to the non-moving party, the length of delay and potential impact on judicial proceedings, the

136. FirstHealth of the Carolinas, Inc. v. CareFirst of Md., Inc., 479 F.3d 825 (Fed. Cir. 2007).
reason for the delay (including whether it was within the reasonable control of the movant), and whether the movant acted in good faith.\textsuperscript{138} The Board has in the past determined the third factor—reasonable control—to be of paramount importance.\textsuperscript{139} Here, the Federal Circuit held that the reasons for delay were wholly within FirstHealth’s reasonable control, and thus, the second and third factors weighed heavily against a finding of excusable neglect. Finding that the Board’s decision was consistent with its prior practice, the Federal Circuit determined that the Board had not abused its discretion in denying FirstHealth’s motion to reopen its testimony period, and affirmed the Board’s ruling.

\textbf{B. Trademark Trial and Appeal Board}

\textbf{1. Functionality}

\textbf{a. Claimed Marks Found Functional}

\textit{American Flange & Manufacturing Co., Inc. v. Rieke Corp.}

The applicant seeking to register two hexagonal base configurations of a metal closure fitting for drum container plugs sought to distinguish a utility patent claiming the shape as irrelevant to a functionality determination because the patent was owned by a third party and not primarily directed toward this feature.\textsuperscript{140} The Board found the expired patent to be potentially relevant functionality evidence so long as it disclosed the utilitarian advantages of the design, regardless of who owned the patent, or what was the primary feature to which the patent was directed.\textsuperscript{141} While the Board found the expired patent to be evidence that the hexagonal base configuration was functional, it found that the patent was not evidence of the functionality of the butterfly-shaped grip depicted in one of the two trademark applications at issue. The utility patent did not specifically mention a butterfly shape, but rather, discussed only the functional advantages of a “transverse raised handle” to rotate the plug. This was not sufficient evidence in itself to prove that a butterfly-shaped grip was functional.\textsuperscript{142}

\textsuperscript{141} \textit{Id.} at 1404.
\textsuperscript{142} \textit{Id.} at 1409-10.
Nevertheless, the Board concluded that the applicant’s mark was functional overall, because the functional hexagonal base was one of the two key features included in the applicant’s mark in both applications. The Board noted that the applicant could have claimed only the hexagonal base or the butterfly-shaped grip as its mark, but failed to do so.

**b. Does Functionality Apply to Service Marks?**

_Duramax Marine, LLC v. R.W. Fernstrum & Co._

An application for the design of a heat exchanger gave the Board an opportunity to consider whether a configuration mark can be functional when it is used to identify services, involving that configuration, not goods. The applicant’s mark depicted a type of heat exchanger placed on the outer surface of a boat hull known as a “keel cooler.” The application identified not keel coolers themselves, but services of custom manufacturing marine heat exchangers for others. The mark was opposed as descriptive, functional and lacking distinctiveness. The opposer’s evidence included a utility patent that included keel cooler drawings very similar to the mark in the application, and evidence that the opposer also manufactured keel coolers similar to that of the applicant’s mark. Recognizing that the question of whether a configuration mark can be functional in connection with services was one of first impression, the Board noted that the analysis could differ for configurations used to identify a product as opposed to being used to identify services of manufacturing that product; as a result, the functionality inquiry may differ as well. Under the circumstances in this case, the Board declined to extend existing law to cover service marks, but hastened to add that it was not foreclosing extension of the functionality doctrine to service marks if circumstances were to warrant an extension. Reviewing the few functionality cases peripherally involving services, the Board found them distinguishable because they involved restaurant services or retail sales as opposed to custom manufacturing of a specific, previously-patented item that competitors should be free to manufacture now that the patent has expired. Nevertheless, the Board sustained the opposition on

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144. _Id._ at 1794.


146. Duramax Marine, 80 U.S.P.Q.2d at 1794.
grounds that the applicant failed to support its claim of acquired distinctiveness. Curiously, the Board found that the opposer’s argument for extension of the functionality doctrine outweighed by “long use of the keel cooler depiction by the applicant in the manner of a logo.” It would appear that the Board’s analysis conflates functionality with acquired distinctiveness, which was particularly interesting in this case because the Board found that the mark had not acquired distinctiveness.

2. Acquired Distinctiveness

a. Distinctiveness Was Acquired

Kellogg Co. v. General Mills, Inc.

When a term in a mark is deemed primarily merely descriptive, the applicant can overcome a requirement to disclaim the term by submitting evidence that it has become distinctive. Among the types of evidence that can be submitted to prove distinctiveness is proving longstanding use of the mark in connection with closely related goods, and that this acquired distinctiveness will transfer to the goods or services specified in the current application. Bases for opposing such a mark include that the applicant has failed to prove that the goods of the prior registration and those of the current application are sufficiently related for the acquired distinctiveness to transfer from one to another, or that the applicant’s showing of acquired distinctiveness is insufficient as a whole. One opposer gambled that it could prevail in such an opposition based solely on the force of argument, without introducing evidence. It was a losing bet.

Specifically, the applicant to register CINNAMON TOAST CRUNCH in connection with a “cereal derived ready-to-eat food bar” overcame a requirement to disclaim the word CINNAMON TOAST by asserting ownership of two incontestable registrations for CINNAMON TOAST CRUNCH (stylized and unstylized) in connection with breakfast cereal, and by producing the affidavit of the applicant’s counsel stating that the mark had been in use for

147. See below at II.B.3.a.
149. Id at 1798; see below at II.B.3.a.
151. In re Dial-A-Mattress Operating Corp., 240 F.3d 1341 (Fed. Cir. 2001); see also T.M.E.P. § 1219.09(a).
152. Id.
16 years for breakfast cereal and had amassed sales of more than $655 million in the previous five years and expended $46 million in advertising over the same period. The opposer contested the application on the grounds that the mark was merely descriptive and that the applicant failed to prove that the mark had acquired distinctiveness. The opposer submitted no evidence during its testimony period, relying instead upon argument during briefing that the applicant’s showing of acquired distinctiveness was insufficient as a matter of law. The opposer argued that the applicant failed to present evidence that there was a relationship between the goods in the applicant’s prior registrations (breakfast cereals) and the goods listed in the application (cereal derived ready-to-eat food bars), and that the registrations claimed by the applicant failed to establish acquired distinctiveness in CINNAMON TOAST because that term was disclaimed from the registration.

The Board noted that the opposer bears the initial burden of challenging or rebutting the applicant’s evidence of acquired distinctiveness, but that this burden can be met with sufficient evidence or argument from which the Board could conclude that the applicant had not met its ultimate burden. Noting that the opposer failed to meet its initial burden though evidence, the Board proceeded to determine whether the opposer’s argument was sufficient to establish prima facie that the applicant failed to prove acquired distinctiveness. Recognizing that an applicant should establish by “relevant evidence rather than mere conjecture” that there is a sufficient relationship between the prior goods and the goods of the application such that acquired distinctiveness will transfer from one to another, the Board noted that extrinsic evidence is not required where the identification of goods alone reveals sufficient facts about the respective goods to base a conclusion on the relationship between them.

Here, the Board determined that the opposer’s cereal-derived food bars were simply a different way for purchasers to consume cereal, rather than from the bowl or box. The Board found that the respective identifications of goods themselves were sufficient to establish a close relationship between the goods, alleviating the requirement for the submission of extrinsic evidence to establish that they were related. The Board also rejected the applicant’s argument that the disclaimers of CINNAMON TOAST in the prior registrations made the marks incapable of proving acquired distinctiveness. It found that the substantial length of use and

154. Id. at 1770 (quoting In re Rogers, 53 U.S.P.Q.2d 1741, 1744 (T.T.A.B. 1999)).
155. Id. (citing In re Dial-A-Mattress Operating Corp., 240 F3d 1341, 1347 (Fed. Cir. 2001)).
registration, in addition to substantial sales and advertising, were sufficient to establish that the applicant’s mark as a whole had acquired distinctiveness. Noting further that CINNAMON TOAST was a unitary term and that CRUNCH was separable, the Board found that the CINNAMON TOAST portion of the mark was sufficiently separable to conclude that a claim of acquired distinctiveness to CINNAMON TOAST CRUNCH supported the applicant’s partial claim of acquired distinctiveness as to CINNAMON TOAST in the current application. Finally, the Board brushed aside the opposer’s argument that allowing the applicant to register a descriptive term would be contrary to public policy, noting that Section 2(f)\textsuperscript{156} expressly permits a mark owner to establish rights in a merely descriptive term upon showing that the term has acquired distinctiveness.

3. Acquired Distinctiveness

\textit{a. Distinctiveness Was Not Acquired}

\textit{In re Caterpillar, Inc.}

Two \textit{inter partes} cases this year considered whether a product configuration had acquired distinctiveness in the wake of a finding of functionality. After finding that a product configuration was functional and hence unregistrable whether or not it had acquired distinctiveness,\textsuperscript{157} the Board nevertheless addressed the issue of whether the design had acquired distinctiveness, in the event that the applicant ultimately prevails in an appeal from the Board’s decision. In both cases, the Board found that the functional trade dress had also failed to acquire distinctiveness.

\textit{In re Howard Leight Industries, LLC}

In the case of a circular earplug configuration the Board previously found functional,\textsuperscript{158} the Board proceeded to address the issue of acquired distinctiveness in the event the applicant ultimately prevailed in an appeal on the functionality issue. Here, the applicant relied on evidence of sales volume, advertising expenditures, historical use, declarations indicating recognition of the mark, and a survey.

Addressing the sales and advertising evidence, the Board noted that they were substantial for the products at issue, but of little probative value because it was not clear to what extent the

\footnotesize{156. 15 U.S.C. § 1052(f) (2000).}
advertising was directed to the specific product in market, and because the applicant failed to promote either the hexagonal-shaped base or the butterfly-shaped grip as a mark in its advertising or otherwise. \(^{159}\) The Board found that high sales alone would be of little probative value, as they do not translate into recognition of a product design mark. \(^{160}\)

Next, the Board discounted the applicant’s evidence of long historical use of the mark. Although the applicant first used the mark in 1940, it claimed substantially exclusive use only for the past ten years. Noting that the USPTO has the discretion to decline to accept a showing of five years’ continuous use of a mark as evidence of acquired distinctiveness, \(^{161}\) the Board observed that even ten years of substantially exclusive use may not be sufficient to show a mark has acquired distinctiveness in a case involving trade dress, where the applicants face a heavy burden of proof. \(^{162}\)

The Board similarly discounted the applicant’s consumer affidavits because they were ambiguous as to whether the declarant truly viewed either the hexagonal base or the butterfly grip as a source indicator for the applicant’s product, and indicated the declarant’s awareness that third parties produced plugs that employed the same design.

Finally, the Board found that the applicant’s survey was not probative of acquired distinctiveness because the survey proved, at most, that the applicant was the party most commonly associated with the product design. This was insufficient because the applicant must prove that the product design identifies a single source, such that the public expects every product bearing the configuration to be from the applicant. \(^{163}\)

Considering all the evidence, the Board found that the applicant failed to establish that its mark had acquired distinctiveness. \(^{164}\)

**Duramax Marine, LLC v. R.W. Fernstrum & Co.**

The applicant seeking to register the configuration of a “keel cooler” heat exchanger for custom heat exchanger manufacturing

\(^{159}\) *Caterpillar*, 43 U.S.P.Q.2d at 1335.

\(^{160}\) *Id.* (citing Braun, Inc. v. Dynamic Corp. of Am., 975 F.2d 815 (Fed. Cir. 1992); *In re Pingel Enter., Inc.*, 46 U.S.P.Q.2d 1811 (T.T.A.B. 1998)).

\(^{161}\) *Id.* at 1412 (citing *In re Garcia*, 175 U.S.P.Q. 732 (T.T.A.B. 1972)).

\(^{162}\) *Id.* (citing *In re ENNCO Display Sys., Inc.*, 56 U.S.P.Q.2d 1279 (T.T.A.B. 2000)).

\(^{163}\) *Id.* at 1414 (citing *In re Peterson Mfg. Co. v. Cent. Purchasing, Inc.*, 740 F.2d 1541 (Fed. Cir. 1984)).

\(^{164}\) *Id.* at 1411-14.
services suffered a similar fate. Curiously, the applicant relied upon a survey to prove acquired distinctiveness during prosecution, but failed to introduce the survey into evidence during the opposition. Although the opposer referenced the survey in a Notice of Reliance, the opposer did not attach the survey. As a result, the Board held that the survey was not properly made of record and refused to consider it. The Board found the applicant’s other evidence insufficient to establish acquired distinctiveness. There was little evidence of “look for” advertising or promotion of the product configuration logo; the extent to which the applicant distributed promotional items and advertisements was uncertain on the record; there was information about promotional expenses but not about sales, so the Board could not compare the amounts spent on promotion with the sales realized; and finally, the applicant’s evidence of a prior registration for the same mark was unavailing because the prior registration did not cover the same mark. On the whole, the quantum of the applicant’s evidence was insufficient to prove acquired distinctiveness and for the Board to sustain the opposition.

4. Genericness

a. Marks Found Not to Be Generic

Tea Board of India v. Republic of Tea, Inc.

The law abhors a forfeiture and the Board abhors forfeiting registered trademark rights on the ground of failure to police the mark. Both the maxim and the action were evident in a counterclaim to cancel a certification mark for DARJEELING & Design to certify tea from Darjeeling, India. Seeking to overcome an opposition to registration of its mark DARJEELING NOUVEAU for tea, the applicant Republic of Tea, Inc. petitioned to cancel the opposer Tea Board of India’s registrations for the certification mark DARJEELING, with and without a design element, because the opposer failed to control use of the marks, resulting in DARJEELING losing its significance as an indicator of geographic source and making it a generic term denoting a certain type of tea. Republic put on evidence that Tea Board failed to police its mark, resulting in unlicensed third-party usage, and completely uncontrolled use for decades before the Tea Board


166. Id. at 1795; see also British Seagull, Ltd. v. Brunswick Corp., 28 U.S.P.Q.2d 1197 (T.T.A.B. 1993), aff’d, 35 F.3d 1527 (Fed. Cir. 1994).


implemented a certification program. Republic also put on evidence of deficiencies in the Tea Board’s certification registrations, as well as a survey, dictionary definitions, evidence of uncontrolled third-party usage, and lack of widespread use of the Tea Board’s design mark.

Certification marks used to certify regional origin such as the DARJEELING mark at issue, will not be deemed generic unless the mark has lost its significance as an indication of regional origin for those goods.\textsuperscript{169} The Board proceeded to set up and knock down each of Republic’s arguments. Rejecting Republic’s claim that Tea Board failed to control use of the certification marks prior to implementing the certification program, the Board found that just because there was no formal certification program did not mean that DARJEELING lost its significance as a mark. Here, the question is whether control is maintained in fact. Republic introduced no evidence that the Tea Board failed to maintain adequate control. Evidence of some misuse alone is insufficient. Republic failed to show a misuse of such significance as to permit an inference that the mark had become generic. The Board found that there was no information about the nature or the extent of the prior misuse; rather, the Tea Board showed that control was maintained and misuse was not tolerated. The Board noted the fact that Tea Board made its controls tighter by implementing a logo program for its certification as evidence of the Tea Board’s continuing efforts to maintain control over its mark.

The Board found unavailing Republic’s argument that the mark should be cancelled because the Tea Board allowed use of the DARJEELING certification mark to certify tea that was only 60% Darjeeling tea. The Board determined that there was nothing deceptive in permitting use of the mark to identify a component of a tea product, if the component is what is being certified.\textsuperscript{170} Even if the Board were to have found inadequate Tea Board’s regulations to control use of its certification mark, that would not result in forfeiture of Tea Board’s mark absent an actual showing of loss of trademark significance.\textsuperscript{171}

Next, the Board found that evidence that third parties used DARJEELING as a name for tea was insufficient to justify cancellation. The Board noted that each third-party package indicated that it contained tea from the Darjeeling region of India, with nothing to indicate that the tea came from any other region.

\textsuperscript{169} Id. at 1887; see also Institut National des Appellations d’Origine v. Brown-Forman Corp., 47 U.S.P.Q.2d 1875 (T.T.A.B. 1998).

\textsuperscript{170} Tea Bd., 80 U.S.P.Q.2d at 1890.

\textsuperscript{171} Id. at 1891; see also Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070 (5th Cir. 1997).
The Board found that the fact that these third parties failed to use Tea Board's DARJEELING logo did not prove that the packages contained anything less than 100% Darjeeling tea. Even assuming that the evidence proved some misuse, this would not have been a sufficient basis to cancel Tea Board's registrations unless the misuse was so widespread that it caused DARJEELING to lose its significance as a mark.

Republic's survey evidence suffered a similar fate. Republic's survey of an expert never concluded that DARJEELING is perceived as a generic term. Nor would the survey evidence have supported such a conclusion because 68% of the respondents did not think of DARJEELING as a type of tea. The Board found that the evidence failed to show that the primary significance of DARJEELING is a generic term.

The applicant's evidence of dictionary definitions was similarly unavailing. Each definition stated that the tea was “grown especially” in the northern part of India. The applicant asserted that these definitions showed that the tea is especially, but not exclusively, from the Darjeeling region of India. The Board found that the dictionary definitions failed to show that DARJEELING refers solely to a type of tea, or that the tea can be grown elsewhere than in the Darjeeling region of India. Having reviewed all the evidence, the Board concluded that it was insufficient to establish that DARJEELING had become generic. Therefore, the Board dismissed the applicant's counterclaim to cancel the opposer's DARJEELING certification marks.

Turning to Tea Board's opposition, the Board first noted that a likelihood of confusion analysis for certification marks employed the same du Pont factors as trademarks. Because the certification mark owner does not use the mark itself, the likelihood of confusion question is based on a comparison of the mark as used on the goods of the certified users. The applicant asserted that purchasers could not be confused because the applicant used its mark on 100% tea from the Darjeeling region of India. The Board rejected this argument because the fact that the mark user's products are genuine is irrelevant and no defense to a likelihood of confusion claim. Indeed, the Board found that the genuineness of the applicant's products enhanced its association with the opposer.

Analyzing the marks, the Board found DARJEELING to be inherently distinctive as identifying the geographic source of tea. Although geographically descriptive terms are normally inherently weak, the Lanham Act contains a specific exception for marks used

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to certify indications of regional origin. The Board found that the evidence showed DARJEELING to be a strong mark, having been used in the United States on tea products for fifty years, and recognized by those in the trade as a geographic indication. That the applicant disclaimed DARJEELING from its application is not significant because the word is still a part of the applicant’s mark and cannot be ignored in determining likelihood of confusion. Although the Board did not find NOUVEAU—the remaining word in the applicant’s mark—to be descriptive for tea, it was not sufficiently distinctive to distinguish the applicant’s mark from the opposer’s because it did not affect the meaning or commercial impression of the mark in a significant way. As a result, the Board found confusion likely because the goods, trade channels and purchasers were identical, the marks were similar, and the opposer’s mark was strong. The Board sustained the opposition and dismissed the cancellation counterclaim.

5. Likelihood of Confusion

a. Likelihood of Confusion Found

Mattel, Inc. v. Funline Merchandise Co.

The Board refused registration for RAD RODS (Stylized) for mechanical action toy vehicles based upon the opposer’s mark, RAD RIGGS for toy vehicles and accessories therefor. The Board found that the goods were related or identical, sold and marketed through the same channels of trade, and were similar in that each comprised the term RAD with a similarly-sounding disclaimed word. The “coexistence” of two third-party registrations failed to persuade the Board, particularly because each was cancelled.

Venture Out Properties, LLC v. Winn Resorts Holdings, LLC

The Board found that the marks CABANA BAR & CASINO in standard and stylized formats, to identify casino, restaurant, bar and cocktail lounge services, would be likely to cause confusion with CABANA for hotel services. Both parties’ marks share and stress the term CABANA, while the additional terms in the applicant’s marks are disclaimed and have little commercial significance. The Board found the services to be closely related and

of a type that may emanate from a single source with the applicant’s services, and that could be presumed to overlap in channels of trade because the applicant’s applications contained no limitation on the channels of trade in the recitation of services.\textsuperscript{178}

\textit{In re E.I. du Pont de Nemours \& Co.}

Fame of the opposer’s mark was the predominating \textit{du Pont}\textsuperscript{179} factor in the Board’s decision sustaining an opposition to MR. GAY UNIVERSE for a gay beauty pageant based upon the opposer’s MISS UNIVERSE mark for beauty pageants and contests.\textsuperscript{180} Evidence that the MISS UNIVERSE pageant has been conducted every year since 1950, that its viewership ranged from 11 million to 14 million households over the period from 2002 to 2004, that the opposer’s gross annual revenue totals over 24 million dollars per year, and that its MISS UNIVERSE website received nearly one billion hits in 2004, was sufficient to convince the Board that the opposer’s MISS UNIVERSE mark is famous and must be accorded dominant weight in the likelihood of confusion analysis.\textsuperscript{181} While the Board acknowledged that the applicant’s pool of contestants would certainly differ from the opposer’s, the Board found this difference to be less material because the viewing public might still assume that the applicant’s pageant was an offshoot of or otherwise affiliated with the opposer’s pageant. Finding also that both pageant services would be similar, that the services would be marketed in all normal trade channels to ordinary consumers not exercising a great deal of care in viewing or reading about the pageants, and that the dominant portion of both marks was the common word UNIVERSE and the other elements were highly suggestive of the contestants, the Board resolved any doubt that might exist in the likelihood of confusion determination against the applicant\textsuperscript{182} and sustained the opposition on the ground that confusion was likely.

In prefatory remarks, the Board exhorted the opposer not to file duplicate copies of evidence in the form of an appendix, which merely adds unnecessarily to the size of the record. The preferred procedure is for the submitting party to refer to particular pieces of evidence in its brief by their location in the actual record, not in an appendix.

\textsuperscript{179} In re E. I. du Pont de Nemours & Co., 476 F.2d 1357 (C.C.P.A. 1973).
\textsuperscript{181} Recot, Inc. v. Becton, 214 F.3d 1322 (Fed. Cir. 2000).
b. Likelihood of Confusion Not Found

*Truscents, LLC v. Ride SkinCare, LLP*

The weakness of the common element GENUINE in the opposer’s marks GENUINE SKIN, GENUINE SPA, GENUINE FACE and GENUINE HAIR for skin soaps, liquid soaps and lotions for the face, hair and body similarly played a part in avoiding likelihood of confusion with the applicant’s mark GENUINE RIDE SKIN CARE & Design for sunscreen, skin cleansers, skin moisturizers, cosmetic wipes and lip balms. The Board found that the word GENUINE in the opposer’s marks was a weak laudatory term with a narrow scope of protection. While the applicant’s mark shared the term, the dominant feature of its mark was the word RIDE, which was prominent, centrally-placed and larger than the other words in the mark. Combined with the design element, the Board found the applicant's mark to be readily visibly distinguishable from the opposer's marks. The Board rejected the opposer’s argument that it had a family of GENUINE marks, finding that the marks were not used in advertisements in a manner that created common exposure. While the applicant won the war, it lost one battle: its argument that GENUINE SKIN CARE, which was disclaimed from its mark, was a fair use. *Inter partes* proceedings before the Board deal only with the right to register, not the right to use, so the fair use defense was inapplicable here.

*Wet Seal, Inc. v. FD Management, Inc.*

While an agreement providing the parties’ consent to register and use their respective marks can be a factor in finding no likelihood of confusion between those marks, the Board found a consent agreement that failed to preclude an opposer from asserting rights against the applicant to be insufficient to negate a likelihood of confusion. Prior to the opposition at issue, the applicant had opposed two of the opposer’s applications for ARDEN B in a stylized format on the ground of likelihood of confusion with ELIZABETH ARDEN, and consented to the use and registration of ARDEN B so long as the mark was used in a distinctively stylized format, and not used for cosmetics, skincare,

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hair care or fragrance products. Subsequently, the opposer applied for and registered ARDEN B in a different stylized form for retail clothing stores, woman’s clothing, jewelry and handbags. The applicant then sought to register ARDEN BEAUTY in connection with a wide range of fragrance, cosmetic, hair, nail, and skin care preparations. While the Board recognized that “agreement provisions designed to preclude confusion, i.e., limitations on continuous use on the mark by each party”\(^{188}\) is a factor in determining the likelihood of confusion, it nevertheless found the agreement insufficient to negate the likelihood of confusion. The agreement contained no provisions precluding the opposer from using its ARDEN B mark or from asserting rights in its mark against the applicant, or confirming any rights the applicant had in the term ARDEN alone or apart from ELIZABETH ARDEN in connection with fragrances and cosmetics. To the contrary, the Board found that the agreement implied that there would be a likelihood of confusion between certain ARDEN marks for fragrances and cosmetics products on the one hand, and clothing and clothing store services on the other.\(^{189}\) The Board found that the opposer could not tack its prior rights in ELIZABETH ARDEN and ARDEN to create earlier priority in ARDEN BEAUTY. The marks were not legally equivalent\(^{190}\) and were likely to be confused as they were similar in sound, appearance, meaning and commercial impression, because the parties’ goods and services were closely related and complementary, classes of customers and channels of trade would overlap, and the goods were relatively inexpensive and subject to impulse purchase. Consequently, the Board sustained the opposition on grounds of likelihood of confusion.

The opposer was not as successful in seeking to oppose the applicant’s mark for a lack of bona fide intent to use the mark on certain goods listed in the application. Absent proof of fraud, an application will not be deemed void for lack of a bona fide intent to use the mark on less than all the goods. Lack of a bona fide intent to use the mark will not void an application absent proof that there was no bona fide intent to use the mark on all the goods identified in the application, as opposed to just some of them.\(^ {191}\) The Board found that the opposer failed to show that the applicant lacked a bona fide intent to use the mark on any of the items listed in the identification of goods, and dismissed this ground.

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188. *du Pont*, 476 F.2d at 1361.


190. *Id.* at 1636.

Leading Jewelers, Inc. v. LJOW Holdings, LLC

The fact that an applicant’s mark incorporated the descriptive terms LEADING JEWELER in its mark LEADING JEWELERS OF THE WORLD & Design as a collective membership mark and as a service mark for association services was insufficient to create a likelihood of confusion with the plaintiff’s collective membership mark MEMBER LEADING JEWELERS GUILD & Design. The words JEWELERS GUILD were disclaimed from the plaintiff’s mark and the Board found the entire phrase MEMBER LEADING JEWELERS GUILD to be highly suggestive of the plaintiff’s membership services. On the other hand, the defendant’s registrations for LEADING JEWELERS OF THE WORLD issued on the Supplemental Register, while the words LEADING JEWELERS OF THE WORLD were disclaimed from its application. Two third-party registrations owned by different entities included the words LEADING JEWELER for services in the jewelry field, providing further evidence that the words LEADING JEWELER(S) are merely descriptive for these services. Determining that the plaintiff’s mark was highly suggestive and not entitled to a broad scope of protection, and that the plaintiff failed to prove its assertion that its mark was famous, the Board found that the dissimilarities in the marks outweighed the similarities and concluded that there was no likelihood of confusion.

6. Geographic Deceptive Misdescriptiveness

a. Mark Not Found Primarily Geographically Deceptively Misdescriptive

United States Playing Cards Co. v. Harbro, LLC

Unlike the case where an applicant’s mark designates the place where the goods are made, a mark that designates a different location can be refused as deceptive193 or primarily geographically deceptively misdescriptive194 if the mark’s primary significance is to identify a generally known geographical location, if the public is likely to believe that the mark indicates the origin of the products, and if that misrepresentation is a material factor in the consumer’s decision to purchase the products.195 In the inter partes context, the Board found VEGAS to be neither deceptive nor primarily geographically deceptively misdescriptive for playing

194. Id. § 1052(e)(3).
cards manufactured in China. While the Board determined that VEGAS is an abbreviation for Las Vegas, a generally known geographic location, there was only an indirect association between Las Vegas and playing cards because Las Vegas is associated with casinos and gambling, while gambling is associated with playing cards. However, the opposer failed to prove that the indirect goods-place association was a material factor in the decision to purchase the applicant’s cards. The opposer proffered evidence of a market for cancelled casino cards from Las Vegas casinos. Nonetheless, the Board found that this evidence demonstrated only that consumers want cards that are used in casinos, not that they want cards made or used in Las Vegas. Finding this goods-place association too tenuous to infer that it is a material factor in the purchasing decision, the Board held that VEGAS is not primarily geographically deceptive or primarily geographically deceptively misdescriptive.

7. Concurrent Use

a. Concurrent Use Registration Granted


Reports that the ubiquity of the Internet have caused the demise of the concurrent use provision of the Trademark Act are greatly exaggerated, particularly where the attempted *coup de gras* is the mere fact that both parties advertise on the Internet. In the context of a concurrent use proceeding, the opposer claimed that geographically remote use of THE COPY CLUB in connection with document copying and processing services for others would cause confusion with its prior registration for COPY CLUB for similar and overlapping services, based in part on the fact that both parties advertise on the Internet. Analogizing the situation to pre-Internet cases involving overlapping advertising, the Board found that the mere fact of overlapping advertising in consumer solicitation does not require a determination of likelihood of confusion. Here, the Board found that a disclaimer on the concurrent use of the applicant’s website that it does business under THE COPY CLUB in only seven states to be helpful in

198. See *id.* (citing Amalgamated Bank of N.Y. v. Amalgamated Trust & Savings Bank, 842 F.2d 1270 (Fed. Cir. 1988); Allard Enters. v. Advanced Programming Res., 249 F.3d 564 (6th Cir. 2001)).
avoiding confusion, and that the specific evidence of the parties’ simultaneous use of their marks on the Internet did not compel a finding of likelihood of confusion. Increased consumer familiarity with the Internet is likely to strengthen the Board’s conclusion as consumers become more comfortable with the medium and better able to distinguish differing websites with similar names.

8. Priority of Use

L. & J. G. Stickley Inc. v. Ronald C. Cosser

Determining which of two parties has priority of use is a question of fact, but that question involves the legal determination of what activities constitute use sufficient to create priority. A particularly thorny example of this inquiry involved a leader of the Arts & Crafts Movement, Gustav Stickley. The Arts & Crafts movement rejected machine manufacturing and sought a return to products produced by hand-made craftsmanship. One of many products on which the Arts & Crafts Movement focused was furniture, later termed “mission-style.” In 1901, Gustav Stickley obtained U.S. Registration No. 56,425 for a composite mark incorporating a woodworking compass combined with the phrase ALS IK KAN. The phrase, attributed to the Flemish painter Jan van Eyck, translates loosely “to the best of my ability.”

Gustav had four brothers. Three of them—Leopold, John and George—worked together and founded L. & J. G. Stickley, the petitioner here. Brother Gustav went bankrupt in 1916 and made little use of the registered design mark after that time. L. & J. G. adopted a new mark in 1918 unrelated to Gustav’s registered mark. A 1922 catalogue for the company incorporated the word CRAFTSMAN, the compass and the phrase ALS IK KAN, but the next use was in 1950 on a book entitled, Developing a Furniture Style, published by L. & J. G., the last page of which showed the woodworking compass and the phrase ALS IK KAN. The last page of the book, showing these marks, was displayed at the front of L. & J. G.’s showroom for many years prior to 1978. In the 1970s, L. & J. G. sold some original Stickley furniture, but that furniture was second-hand. In 1977, L. & J. G. published a catalogue, page 4 of which bore the caption “ALS IK KAN; the pride of craftsmanship.” Finally, in 1989, L. & J. G. introduced 33 pieces of Mission oak furniture. These were reproductions of Gustav and Leopold Stickley designs.

200. Id. at 1584.
The respondent Cosser began using the phrase ALS IK KAN on furniture polish in 1978. Some time between 1979 and 1981, L. & J. G.’s principal became aware that the respondent was using ALS IK KAN on furniture polish and restoration services. Although the respondent also sold furniture, its principal could provide no evidence that the mark appeared on the furniture. Indeed, one of the respondent’s customers testified that the mark did not appear on furniture or on point of sale displays. In 1993, the respondent filed an application for ALS IK KAN for wood furniture polish, claiming first use since 1978. In 1994, the respondent wrote to the plaintiff’s principal advising of the respondent’s use of the marks THE CRAFTSMAN, the compass logo and the phrase ALS IK KAN. In 1997, the respondent filed its application for ALS IK KAN for furniture, claiming first use as early as 1982. The furniture polish registration issued in 1997, and the furniture registration issued in 1998. L. & J. G. filed petitions to cancel both registrations in 2001.

The Board first addressed the issue of standing. The respondent claimed that the petitioner had never used the subject mark ALS IK KAN, and because of Gustav Stickley’s bankruptcy and subsequent abandonment of the mark, the respondent claimed that L. & J. G. could not prove that its rights were derived from Gustav Stickley. Nevertheless, the Board found that L. & J. G. had standing for its petitions to cancel. The petitioner’s evidence showed that it used the ALS IK KAN phrase in its 1977 catalogue. This was sufficient to give L. & J. G. a real interest in the proceeding, establishing standing.

Turning to the question of priority, the Board found unpersuasive the respondent’s proof of use of its mark on furniture prior to its filing date. The respondent could not show a single use prior to the filing date, and its use of the phrase with related services was insufficient to prove use on furniture. On the other hand, the petitioner’s own witness testified to seeing the respondent’s mark used on furniture polish between 1979 and 1981. The Board found this to be sufficient to establish rights in the phrase for furniture polish prior to the respondent’s constructive use date—the filing date of its application—even if the respondent’s use was only in intrastate commerce. Considering all the evidence, the Board found that the respondent had priority dating to the end of 1978.

Turning to the petitioner’s priority date, the Board first determined that the petitioner could not establish use back to that of Gustav Stickley. The Board found that there was no use of the compass design and ALS IK KAN between 1922 and 1950, and

202. *Id.* at 1964.
that there was no excuse for the long period of non-use. The Board found that the petitioner did not use the marks on furniture or furniture polish prior to 1978; however, it established use analogous to trademark use. Specifically, its book display at the front of its showroom depicted prominently the woodworking compass and ALS IK KAN mark. Prior to the 1980s, the petitioner had only one showroom, so all of its customers would have seen the mark. A use in advertising or promotion can be sufficient to defeat a right to registration based on subsequent trademark use.\textsuperscript{203} The petitioner’s 1977 catalog prominently identified ALS IK KAN as one of the petitioner’s trademarks. The Board found that the catalog showed the mark in a manner associating the term with the petitioner’s furniture and its furniture polish. The marks appeared again in the petitioner’s 1980 and 1983 catalogs, and there was no proof that this use was abandoned. As a result, the Board found that the petitioner established priority at the end of 1977 as a result of its analogous use of the mark in association with furniture and furniture polish, thus providing the petitioner with priority over the respondent’s use. The Board further held that the parties’ use of the same phrase and design element in connection with furniture and furniture polish would be likely to cause confusion. Accordingly, the Board granted L. & J. G.’s petitions to cancel both registrations.\textsuperscript{204}

9. Materials Filed Under Protective Order

\textit{a. Parties Inappropriately Designated Materials as Confidential}

\textit{American Flange \& Manufacturing Co., Inc. v. Rieke Corp.}

In consolidated opposition proceedings involving the trade dress of metal closure fittings for drum containers,\textsuperscript{205} the Board took the opportunity to address materials filed under protective order by both parties. The Board noted that both parties submitted witness testimony entirely under seal without making any attempt to delineate the truly confidential portions by redaction. The Board observed that most of the testimony and exhibits submitted under seal were not confidential, and that the parties cannot shield from


\textsuperscript{204} It is useful to note that while a cancellation petitioner can establish its priority with evidence of actual use of a mark on its goods and services, of service mark use, trade name use or use analogous to trademark use, a registrant claiming actual use must prove it commenced actual use of its mark on the goods or services listed in the registration on or prior to the filing date of its use-based application or its Statement of Use.

the public information that is not appropriately confidential. Consequently, the Board ordered the parties to resubmit a redacted copy of all testimony and exhibits submitted under seal with only those portions that truly needed to be kept under seal being redacted. The Board intended to place the redacted copies of the documents in the public record. If either party failed to make this submission for any sealed deposition within 30 days of its Order, the Board would make the entire deposition and exhibits part of the public record.

10. Procedural Issues

a. Standing

(1) Opposer Had No Standing to Oppose

McDermott v. San Francisco Women’s Motorcycle Contingent

The Federal Circuit significantly relaxed the standing requirements for oppositions in the 1999 O.J. Simpson case, giving wide latitude to non-competitors where opposition to a mark is based on grounds that the mark is scandalous. But in an opposition to the mark DYKES ON BIKES for parade contingents, community festivals, events, street fairs and similar gatherings, the Board found that even these relaxed requirements have their limits.

The opposer based his opposition on a claim that the term is scandalous and immoral, that he had been subject to criminal attack and civil rights violations committed by “dykes” and that he objected to the USPTO acting as a “political agent of the Misandry Lobby.” The applicant moved to dismiss on the ground that the opposer failed to plead standing or discernable grounds for opposition. To have standing, an opposer must have a real interest in the proceedings and a reasonable basis for its belief that it is damaged. A “real interest” is interpreted as a direct and personal stake in the outcome of the proceedings. The belief of damage must be more than subjective, and can be proven by an opposer possessing a trait or characteristic clearly and directly implicated by the mark (for example, marks that are allegedly

206. See id. at 1399 (citing 37 C.F.R. § 2.27(d) & (e)).
210. Ritchie, 170 F.3d at 1097.
211. Id. at 1096.
212. Id. at 1098.
offensive to a group may be challenged by a member of that group) or by demonstrating that others share the belief of harm and that the opposer is not alone in its belief of damage.213

Although the Board found that the opposer sufficiently pleaded a real interest in the proceedings, it also determined that the opposer alleged no facts showing a reasonable basis for a belief of damage. The opposer made no allegation that he possessed a trait or characteristic implicated by the mark; in other words, that he was a lesbian or “dyke.” The opposer also failed to allege that others shared his belief of damage. Thus, the Board granted the opposer’s motion to dismiss.214

**b. Introduction of Evidence**

(1) Survey Evidence Not Properly Introduced

_Duramax Marine, LLC v. R.D. Fernstrum & Co._

The Board had an opportunity to rule on the applicant’s efforts to make of record in an opposition proceeding a survey that had been submitted during prosecution of the application.215 The applicant submitted a copy of its application to the Board with its Notice of Reliance, but the Board found this insufficient to make the survey of record. The applicant’s Notice of Reliance failed to state that the applicant relied on the application file as providing proof of acquired distinctiveness. Furthermore, the applicant failed to address the survey evidence in its brief on the issue of acquired distinctiveness. Therefore, the Board found that the applicant had waived its right to rely on the survey as evidence of acquired distinctiveness. The Board previously has stated that an applicant cannot make a survey of record in an opposition proceeding merely by submitting it to the Examining Attorney during prosecution or even by referring to it in a Notice of Reliance.216 Here, the applicant argued that the fact that the opposer mentioned the survey in its Notice of Reliance was sufficient to make the survey of record, but the Board found this to be insufficient because the opposer failed to attach the survey to its Notice of Reliance.217

213. Id.

214. Interestingly, the Board failed to grant leave to the opposer to replead its allegations; perhaps this was because the opposer would have an opportunity to petition to cancel the registration after it issued.


c. Motion for Protective Order

(1) Motion Granted in Part, Denied in Part

*Georgia-Pacific Corp. and Fort James Operating Co. v. Solo Cup Co.*

In an opposition proceeding, the Board made three rulings involving the use of protective orders in Board proceedings.\(^{218}\) After the Board issued an order imposing its standard protective order for opposition proceedings,\(^{219}\) the opposer moved the Board to modify the protective order to permit the opposer’s in-house counsel to have access to all the documents that the applicant designated as “trade secret/commercially sensitive.” The Federal Circuit has stated that whether a litigant’s in-house counsel may receive access to confidential documents turns on whether the counsel is involved in the litigant’s competitive decision-making.\(^ {220}\) Here, the opposer failed to provide sufficient information to enable the Board to conclude that its in-house counsel was not involved in competitive decision-making. As a result, the Board denied the motion.

However, the Board granted that the opposer’s motion sought to re-designate the report and deposition of the applicant’s expert as non-confidential. The applicant’s expert had prepared a report on tests conducted during the proceeding. After the opposer took the expert’s discovery deposition, the applicant designated the entire deposition highly confidential. The Board found that the applicant had over-designated portions of the deposition as confidential, including the expert’s credentials and background, his testimony in prior matters, and the documents he reviewed and prepared. The Board held that such information should be declassified, but that the remainder was properly designated as confidential.

Finally, the opposer sought to obtain access for its in-house technical experts to the report and deposition transcript of the applicant’s expert. Here, the Board split the proverbial baby. If the applicant notified the opposer that the applicant’s expert would testify at trial, the opposer’s in-house technical expert could review the report. If the applicant’s expert would not testify at trial, the opposer’s expert would not need such access. The Board thus


\(^{219}\) Effective November 1, 2007, it is no longer necessary for the Board to issue an Order imposing a protective order; rather the Board’s standard protective order is automatically enforced in every opposition proceeding pending as of that date. *See* 72 F.R. 42242 (Aug. 1, 2007).

\(^{220}\) *U.S. Steel Corp. v. United States*, 730 F.2d 1465 (Fed. Cir. 1984).
ordered the applicant to provide the opposer with two weeks’ advance notice of the applicant’s plans to introduce its expert report into evidence during the testimony period.

**d. Motion to Set Aside Default Judgment**

(1) Default Judgment Set Aside

*Smart Inventions, Inc. v. TMB Products, LLC*

Showing once again its preference for deciding issues on the merits, the Board set aside a default judgment in a cancellation proceeding. YellowTop, North America, Inc., filed an application to register SMART BROOM and subsequently assigned the application to the respondent TMB. After the registration issued in YellowTop’s name, TMB recorded its assignment with the USPTO’s assignment branch. The petitioner Smart Inventions, Inc. then instituted a cancellation proceeding against YellowTop. The Board sent notice of the proceeding to YellowTop but an answer was not timely filed. A notice of default was issued and default judgment entered against YellowTop.

TMB moved to set aside the default on the ground that it never received actual or constructive notice of the proceedings, and therefore the Board lacked jurisdiction over it to cancel the registration and the judgment was void. The petitioner argued that TMB failed to satisfy the factors for setting aside a judgment under Fed. R. Civ. P. 60(b).

The Board rejected the petitioner’s argument and granted the motion to set aside the judgment. Generally, a default judgment must be set aside if it is void, without any balancing tests, discretion, or time limit and without regard to any potential hardship against a non-moving party. Here, the record showed that no Board correspondence was sent to the owner of record. As a result, the mark owner was not afforded reasonable notice or an opportunity to respond, and the Board’s judgment was therefore void and must be set aside.

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222. These factors are (1) whether the petitioner will be prejudiced, (2) whether the default was willful; and (3) whether the respondent has a meritorious defense to the action. See TBMP § 3 12.03.

223. Id. Smart Inventions, 81 USPQ2d at 1383, citing Wright, Miller & Kane, Federal Practice and Procedure: Civil 2d § 2862 (2002).
(2) Motion to Strike Testimony Deposition

(a) Testimony Deposition Stricken for Unreasonable Notice

Gaudreau v. American Promotional Events, Inc.

Although the Trademark Trial and Appeal Board Manual of Procedure provides no guidelines for what constitutes reasonable notice for a deposition, the Board provided new decisional law discussing what notice is unreasonable. In an opposition to an application to register the mark TNT FIREWORKS, INC., for “distributorship services for fireworks,” the opposer wrote the applicant to advise that the opposer intended to take a testimony deposition on November 16, 2006—the last day of the opposer’s testimony period. The letter was sent via fax at 6:58 p.m. on November 14, 2006, and did not include a time or place for the deposition. At 4:06 p.m. the next day, November 15, 2006, the opposer sent the applicant a more detailed notice of the deposition, which was scheduled to take place at 2 p.m. on November 16, 2006, in Williston, North Dakota. After objecting to the letter of November 14 and the deposition notice of November 15, the applicant’s attorney attended the deposition on November 16 by telephone and under protest. On November 20, the applicant moved to strike the entire testimony deposition on the grounds that the opposer’s notice of that deposition was neither adequate nor reasonable. In addition to the facts set out above, the applicant noted that the opposer’s short notice would have required the applicant’s attorneys to travel from their St. Louis, Missouri offices to Williston, North Dakota—which only has two flights per day—on less than 24 hours notice.

To determine the reasonableness of advance notice provided for depositions, either for purposes for discovery or for testimony, the Board applies Fed. R. Civ. P. 30(b)(1) together with Trademark Rule 2.123(c). Here, the Board found that two days’ notice for a testimony deposition was unreasonable. A party must show a compelling need to take testimony depositions on such short notice, given the ample period allowed each party for trial in

225. 37 C.F.R. § 2.123(e)(3).
226. “A party desiring to take the deposition of any person upon oral examination shall give reasonable notice in writing to every other party in the action. The notice shall state the time and place for taking the deposition. . . .”
227. “Every adverse party shall have full opportunity to cross-examine each witness. If the notice of examination . . . is improper or inadequate with respect to any witness, an adverse party may cross-examine that witness under protest while reserving the right to object to the receipt of the testimony in evidence. . . .”
The impending close of the testimony period does not constitute such a compelling need.

Furthermore, the opposer made no effort to provide the applicant with a full opportunity to cross-examine the opposer’s witness. The opposer stated that he would not seek to extend the opposer’s testimony period to allow cross-examination. As a result, the Board found it appropriate to strike the transcript of the opposer’s testimony deposition and all its exhibits.

Because the testimony period closed and the opposer took no other testimony or offered any other evidence, the opposer could not meet its burden of proof. Accordingly, due to the lack of evidence, the Board entered judgment against the opposer and dismissed the opposition with prejudice.

C. Federal District Courts

1. Motion to Conduct Limited Discovery on Laches

   a. Motion Denied

   Pro-Football, Inc. v. Harjo

   In the long running dispute between Pro-Football, Inc., and its Native American detractors over the REDSKINS mark, a district court considered a motion from one of the Native Americans to take limited discovery to evaluate whether laches bars his claim to cancel Pro-Football’s registration for REDSKINS as scandalous. The court found the motion to be procedurally defective, as the motion was not supported with affidavit evidence showing what specific facts were unavailable to the movant, including what efforts were made to obtain the information and why those efforts were unsuccessful. Further, the court found that it did not have the power to grant further discovery, because the Circuit Court’s limited remand to the District Court to evaluate


230. 37 C.F.R. § 2.132; T.B.M.P. § 534. In a footnote, the Board noted that the better practice would have been to move to quash the notice of deposition prior to the commencement of the testimony deposition, which the Board could have resolved by telephone conference prior to commencement of the deposition. Gaudreau, 82 U.S.P.Q.2d at 1693 n.2. While the advice should be taken to heart, under the circumstances it would have been nip and tuck for the applicant to prepare the motion to quash, present it to the Board, schedule a telephone conference, prepare for and argue the motion and receive a decision, let alone prepare for the possibility of taking the deposition should the motion to quash be denied.


whether laches bars the Native American's claim did not contemplate further discovery. As a result, the District Court found itself limited by the Circuit Court's mandate and could not exceed its scope. Substantively, the District Court noted that extensive discovery had already occurred on laches, and that the information requested either would be redundant or would not shed light on the relevant analysis. As a result, the District Court denied the motion and precluded further discovery on laches.

2. Funding-Lack of Appropriation for Specific Trademarks

_Last Best Beef, LLC v. Dudas_

While Congress’s efforts to tinker with the USPTO’s Appropriations Bill is a subject of perennial consternation for the USPTO and the trademark bar alike, 2006 found a District Court and an Appellate Court grappling with the question of whether Congress could use the Appropriations Bill as a vehicle to prevent registration of specific trademarks. The marks in question, THE LAST BEST PLACE, happen also to be the state slogan of Montana. Notwithstanding the plaintiff’s two issued registrations and eight pending applications (four of which had received Notices of Allowance) in 2005 Congress passed and President Bush signed the Appropriations Act of 2006, Section 206, of which read that “notwithstanding any other provision of this Act, no funds appropriated under this Act shall be used to register, issue, transfer or enforce any trademark of the phrase “The Last Best Place.” Immediately after New Year’s Day 2006, the USPTO cancelled the registrations and the Notices of Allowance, premised upon the USPTO’s interpretation of Section 206. The plaintiff filed an action in the Eastern District of Virginia and sought summary judgment that Section 206 improperly circumvented the Lanham Act and was invalid legislation.

In a holding eventually reversed on appeal by the Fourth Circuit, the District Court granted the plaintiff’s motion for summary judgment, stating that Congress can use an appropriations bill to modify a general law like the Lanham Act, but it must do so explicitly. If the modification is implicit, such a modification only will be found if there is clear legislative intent to support it. Here, the court found that Congress failed to suspend explicitly the provisions of the Lanham Act for the phrase THE LAST BEST PLACE. Section 206 failed to mention the Lanham Act or to provide procedures or processes to replace those

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contained in the Lanham Act. Without such manifest congressional intent, the Court concluded that Section 206 improperly circumvented the Lanham Act and therefore was invalid legislation. Among other concerns, the court suggested that Section 206 invited future destabilization of intellectual property at the whim of special interests, which might seek to carve out their own special exceptions. This could make the Lanham Act “a whimsical statute full of holes and inconsistencies,”234 “as difficult to navigate as our voluminous United States tax code.”235 The court ordered the USPTO to reinstate the plaintiff’s registrations and applications and to process the applications in accordance with the provisions of the Lanham Act and the Trademark Manual.236

PART III. TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION IN THE COURTS OF GENERAL JURISDICTION

By Theodore H. Davis, Jr.

A. Acquisition of Trademark Rights

1. What Can Qualify as a Protectable Mark?

Courts continued to be receptive to claims of protectable trademark rights in nontraditional indicators of origin. For example, notwithstanding case law from the Trademark Trial and Appeal Board rejecting claims to the protection of undifferentiated images of Elvis Presley,237 one plaintiff successfully established trade dress rights to prevent the use of images of Marilyn Monroe in connection with wine.238 In entering preliminary injunctive relief, the court rejected the defendant’s argument that the ubiquitousness of Monroe’s image precluded it from functioning as a mark. As the court explained, the plaintiff did not claim exclusive rights to the image itself in a vacuum; rather, “the use at issue in this case is not simply the use of the Marilyn Monroe image on wine bottles.”239

234. Id. at 504.
235. Id.
236. The Fourth Circuit’s overturning of the decision on appeal is a story for next year.
239. Id. at 977.
The Sixth Circuit also rejected a challenge to claims as being impermissibly broad. The plaintiffs in the case manufactured and sold motor vehicles under the HUMMER mark. Alleging that the defendant’s toy vehicles were confusingly similar to their larger ones, the plaintiffs filed a trade dress infringement action in which they defined their trade dress as “the exterior appearance and styling of the vehicle design which includes the grille, slanted and raised hood, split windshield, rectangular doors, squared edges, etc.” The court was unpersuaded by the defendant’s argument that the presence of “etc.” in this description rendered the description vague and indiscriminate. Rather, “[b]ased on the list of elements presented by [the plaintiffs], it can be understood exactly what they are looking to protect. The ‘etc.’ marking must be ignored in such a listing as it does not define any further element to be included in the trade dress.”

Nevertheless, at least one court balked at what it saw as a plaintiff’s overreaching in a trade dress dispute. The plaintiff operated four hair salons for men, and sought to protect, in the court’s words, “the ‘look and feel’ of an old-world men’s club and not a barber shop.” Only two of the salons featured a similar décor and atmosphere, which the plaintiff struggled to define in a series of shifting supplemental interrogatory responses. This strategy led the court to conclude that the plaintiff had failed to identify what it claimed with the required degree of precision:

Throughout trial and briefing plaintiff continuously refers to its trade dress as the “look and feel of an old world men’s club” but does not consistently refer to the elements that make up the club. The court cannot arbitrarily decide what an “old world men’s club” must have looked like (assuming such clubs existed).

That the claimed trade dress at the two salons in question differed was just an additional reason underlying the court’s decision not to recognize the plaintiff’s claims.

241. Quoted in id. at 415.
242. Id. at 415.
244. Id. at 1003.
245. Id. at 1007.
246. See id.
2. The Use in Commerce Requirement

a. The Nature and Quantity of Use Necessary to Establish Protectable Rights

The Lanham Act is replete with sections providing that use of a mark in commerce is a prerequisite for the establishment of affirmative trademark rights. Sections 32 and 43(a) require use in commerce as a prerequisite for the protection of a mark under a likelihood of confusion theory, therefore codifying the common law rule on the subject. Likewise, Section 1 requires a demonstration of use in commerce before a registration will issue from the USPTO. These principles have their origin in the common law, under which use in commerce is necessary for protectable rights, and three principles also are reflected in state unfair competition law.

Not all claims of actual use over the past year passed muster, with the most significant opinion to reach that result coming from the Ninth Circuit. The plaintiff was a manufacturer of a dietary supplement who had sued a competitor using a similar name. It was undisputed that the plaintiff had been the first to put its product on the market; it was equally undisputed, however, that the plaintiff's labels failed to comply with FDA labeling requirements because they overstated the amount of one of the product's active ingredients. Affirming entry of summary judgment in the plaintiff's favor, the Ninth Circuit began its analysis by noting that:

It has long been the policy of the PTO's Trademark Trial and Appeal Board that use in commerce only creates trademark rights when the use is lawful.... A question of first


248. See generally Restatement (Third) of Unfair Competition § 18 (1995) ("Rights can be acquired in a designation only when the designation has been actually used as a mark... or when an applicable statutory provision recognizes a protectable interest in the designation prior to actual use.").


250. See, e.g., Pioneer Gazebo, Inc. v. Buckeye Barns, Inc., 864 N.E.2d 147, 151-54 (Ohio Ct. App. 2006) (affirming refusal to enter relief on ground that counterclaim plaintiff had failed to demonstrate prior use).


252. See CreAgri, Inc. v. USANA Health Sci., Inc., 474 F.3d 626 (9th Cir. 2007).
impression in this circuit, we . . . agree with the PTO’s policy and hold that only lawful use in commerce can give rise to trademark priority.253

The court then rejected three theories proffered by the plaintiff to escape the consequences of the labels’ noncompliance. First, although the plaintiff argued that the nexus between its violation and its trademark claims was too attenuated to warrant the denial of relief, the court concluded that:

While it may be possible to conceive of a situation in which violation of a law in connection with a trademarked product would have no effect on the rights inuring in that trademark, the nexus between a misbranded product and that product’s name, particularly one designed for human consumption, is sufficiently close to justify withholding trademark protection for that name until and unless the misbranding is cured.254

Second, the court rejected the argument that the plaintiff qualified for an exemption from the labeling requirements on the ground that the plaintiff had never requested the exemption from the FDA.255 Finally, the court held that the plaintiff’s noncompliance was not so immaterial as to preclude its claims.256 An affirmance of the district court’s order that the defendant enjoyed prior rights and that the plaintiff’s registration should be cancelled, followed.

One court dismissed another plaintiff’s claims of priority for a related reason.257 Attempting to expand its claims of priority, the plaintiff urged the court to adopt the “zone of natural expansion” doctrine—originally applicable only to the issue of the proper extent of a claimant’s geographic rights—when examining whether the plaintiff’s use of a mark for banking services created protectable rights in the insurance and investment services industries. The court ultimately rejected the plaintiff’s argument that this was the case, finding instead that:

when [the] defendant began using the [challenged] marks in 1997, [the] plaintiff was legally prohibited from offering virtually any insurance and investment products and services, with only a handful of exceptions. Thus, no reasonable consumer would have expected [the] plaintiff to be selling those products and services.258

253. Id. at 630 (citations omitted).
254. Id. at 631-32.
255. See id. at 632.
256. See id. at 633.
258. Id. at 217.
In yet another case presenting an unusual claim of priority, albeit one that has made increasing appearances in the case law over the past few years, the defendant was a domestic distributor of goods manufactured overseas by the plaintiffs. In response to the plaintiffs' motion for a preliminary injunction, the defendant argued that it, rather than the plaintiffs, was the owner of the mark affixed to the goods it had been distributing. Applying Ninth Circuit law, the court first held that:

[w]hen disputes arise between a manufacturer and distributor, courts will look first to any agreement between the parties regarding trademark rights. But in the absence of an agreement . . . , the manufacturer is presumed to own the trademark. That presumption applies with equal force to cases involving foreign manufacturers.

Although the parties to the case had circulated proposed agreements between them that might have resolved the issue, they had never reduced their relationship to a written document. Under these circumstances, and particularly because the plaintiffs had been using the disputed mark prior to their use of the defendant as a distributor, the court awarded priority to the plaintiffs.

Some cases presented more conventional claims of priority. In one that rejected claims of actual use, an individual plaintiff and her company alleged priority of rights in marks allegedly used in connection with the development, promotion, and commercialization of Internet-based technology by health care providers. For approximately two and one-half years after allegedly adopting their marks, the plaintiffs sought to increase awareness of the services they ultimately intended to deliver through networking and such activities as presentations, lectures, and seminars. They had not succeeded in bringing any of their services to market by the time the defendants adopted a similar mark, however, and this failure led to entry of summary judgment in the defendants' favor. According to the court, "[the plaintiff's] proffered evidence is insufficient to show use in commerce of its marks because the evidence demonstrates no deliberate and continuous actual or analogous use of the marks in the ordinary course of trade." In reaching this conclusion, the court relied


260. Id. at 1130 (quoting Sengoku Works v. RMC Int'l, 96 F.3d 1217, 1220 (9th Cir. 1996)).

261. See id. at 1131.


263. Id. at 371.
heavily on testimony that the plaintiffs had not intended to generate any revenue during their promotional activities, and, indeed, that they regarded those activities as a loss leader.264

A federal registration constitutes “prima facie evidence” of the registrant’s ownership of the underlying mark,265 but one set of plaintiffs discovered that their registration did not grant them rights superior to some defendants with prior use of their own mark.266 The principal of the lead plaintiff had used a mark in commerce in July, 2003, applied to register it on July 28, 2003, and secured the resulting registration on August 23, 2005. Invoking the registration, the plaintiffs filed suit against competitors using a similar mark and then, five months later, filed an ill-advised motion for a temporary restraining order and preliminary injunction. The court declined to enter either, concluding from the record that there was “copious evidence” that a predecessor in interest to the defendants had used the challenged mark “many years” before the plaintiffs’ claimed priority date.267 As the court explained, “[e]vidence of such extensive prior use, at a minimum, defeats Plaintiffs’ argument that [they have] a substantial likelihood of prevailing on [their] claims of trademark infringement under the Lanham Act.”268

Of course, even if a plaintiff can establish actual use in the past, its rights can lapse if that use is eventually abandoned. In a case driving home this point, one set of defendants had abandoned their rights to a mark through the mark’s nonuse and lack of intent to resume use over a period of fifteen years.269 Seeking to revive their rights, they made a single sale under the mark but failed to make another one over the next two years before they were sued. Viewing the defendants’ sale with a jaundiced eye, the court observed that “[c]ourts typically do not deem usage sufficient ‘when it is obviously contrived solely for trademark maintenance purposes.’ This is clearly the case here. The sale was not a bona fide use of the mark in commerce.”270 Accordingly, the court accepted the plaintiffs’ claims of priority instead.

Another set of would-be senior users, declaratory judgment plaintiffs active in the entertainment industry, similarly fell short.

264. See id. at 372.
267. See id. at 608.
268. Id.
270. Id. at 273 (quoting La Société Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1273 (2d Cir. 1974)).
in their attempts to revive rights in a mark they had abandoned earlier.271 Following a lengthy period of nonuse of their mark, the plaintiffs had (1) retained a lawyer to assist in the mark’s protection; (2) arranged for two shows of a band plaintiffs had under management; (3) distributed flyers bearing the mark; and (4) produced and promoted 1,098 copies of a CD by the band, albeit without displaying the mark in the process.272 Of this showing, the court remarked, “Plaintiffs do not suggest that a substantial portion of the public or even any portion of the public saw the . . . mark.”273 The court therefore declined to find that the plaintiffs’ various uses gave them priority because “the public was unaware of [the plaintiffs’] business and . . . plaintiffs made insufficient use of their mark to warrant trademark protections.”274

b. The Famous Marks Doctrine

The strange and terrible history of the famous marks doctrine, pursuant to which a foreign entity with no use of its mark in United States commerce can still establish protectable rights by invoking the mark’s notoriety, took another turn over the past year. Examining the question of whether the famous mark doctrine had a basis in federal law, one Second Circuit district court concluded that “significant prudential considerations augur in favor of recognizing the doctrine.”275 Still, however, the plaintiffs’ claims to protection fell short on the unusual ground that they had failed to demonstrate that a third-party licensor of the mark in question had used the mark as a mark.276 The court explained its skepticism of the plaintiffs’ showing by observing that “because [the famous marks] doctrine is an abrogation of the territoriality principle, a fundamental element of trademark law, courts must be extremely cautious when applying it.”277

This caution was elevated to a bright-line rule against recognition of the famous marks doctrine in a subsequent Second Circuit opinion. In ITC Ltd. v. Punchgini,278 the plaintiff sought to enforce rights to the mark BUKHARA for restaurant services that

272. See id. at 1522.
273. Id. (internal quotation marks omitted).
274. Id.
276. See id. at 270-72.
277. Id. at 272.
it had used in four locations outside of the United States, but which it was not using in the United States at the time the defendants adopted the BUKHARA GRILL mark for two restaurants in New York City. The district court entered summary judgment in the defendants’ favor on each of the federal and New York causes of action asserted by the plaintiff on the grounds that: (1) the plaintiff had abandoned its rights in the U.S. because of its failure to use the mark; and (2) even if famous and well-known marks were entitled to protection in the U.S. absent actual use, the mark in question lacked even secondary meaning and therefore was not eligible for this exception to the territoriality principle.\textsuperscript{279}

On appeal, the Second Circuit affirmed, concluding that there was no basis for recognition of the famous mark doctrine under federal law. It disposed of each of the grounds for relief proffered by the plaintiff, beginning with the plaintiff’s invocation of TTAB case law such as \textit{All England Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.},\textsuperscript{280} in which the Board had relied upon the New York common law decision in \textit{Vaudable v. Montmartre, Inc.}\textsuperscript{281} Of the Board’s decisions in the area, the appellate court observed that “the federal basis for the Trademark Board’s recognition of the famous marks doctrine is never expressly stated. Its reliance on \textit{Vaudable} suggests that recognition derives from state common law.”\textsuperscript{282}

The court then turned its attention to two treaty provisions cited by the plaintiff, Article 16(2) of TRIPS\textsuperscript{283} and Article 6bis of the Paris Convention.\textsuperscript{284} As to the former, the court held that “TRIPs is plainly not a self-executing treaty” and “[w]hile Congress has amended numerous federal statutes to implement specific provisions of the TRIPs agreement, it appears to have enacted no legislation aimed directly at Article 16(2).”\textsuperscript{285} As to the latter, the court concluded that the Paris Convention was not self-executing, nor had it been implemented by Section 44 of the Lanham Act.\textsuperscript{286}

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\textsuperscript{282} \textit{ITC}, 482 F.3d at 159.

\textsuperscript{283} Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, pt. 2, § 2, art. 16(2), 33 I.L.M. 1125, 1203.


\textsuperscript{285} \textit{ITC}, 482 F.3d at 161.

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In particular, the court held, “[w]e do not . . . discern in the plain language of sections 44(b) and (h) a clear congressional intent to incorporate a famous marks exception into federal unfair competition law.”

Finally, the court took issue with the Ninth Circuit’s holding in *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, which allowed a Mexican corporation to challenge a U.S. company’s adoption of the Mexican corporation’s name, despite the absence of the Mexican corporation from the United States. Characterizing the Ninth Circuit’s holding as resulting from policy considerations, the Second Circuit rejected it as well on the ground that:

In light of the comprehensive and frequently modified federal statutory scheme for trademark protection set forth in the Lanham Act, we conclude that any policy arguments in favor of the famous marks doctrine must be submitted to Congress for it to determine whether and under what circumstances to accord federal recognition to such an exception to the basic principle of territoriality. Absent such Congressional recognition, we must decline ITC’s invitation to grant judicial recognition to the famous marks doctrine simply as a matter of sound policy.

Having therefore dismissed any federal law basis of the famous marks doctrine, the court then addressed the subject of whether the doctrine could be grounded in New York common law. Rather than resolving this issue itself, the court chose instead to certify it to the New York Court of Appeals in the form of the following questions:

Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner’s prior use of the mark or dress in a foreign country?

\[ \ldots \]

\[ \ldots \] How famous must a foreign mark or trade dress be to permit its owner to sue for unfair competition?

Although the New York Court of Appeals accepted the invitation to entertain these questions, it did so in a way that took issue with the Second Circuit’s phrasing of them. Reviewing *Vaudable* and another state trial court opinion reaching a similar

287. *ITC*, 482 F.3d at 163.
288. 391 F.3d 1088 (9th Cir. 2004).
289. *ITC*, 482 F.3d at 165 (citation omitted).
290. *Id.* at 167.
result, *Maison Prunier v. Prunier’s Restaurant & Cafe*, 292 the state court of last resort held that “*Prunier* and *Vaudable* fit logically and squarely within [New York's] time-honored misappropriation theory, which prohibits a defendant from using a plaintiff’s property right or commercial advantage—in *Prunier* and *Vaudable*, the goodwill attached to a famous name—to compete unfairly against the plaintiff in New York.” 293 It then further held,

What *Prunier* and *Vaudable* stand for . . . is the proposition that for certain kinds of businesses (particularly cachet goods/services with highly mobile clienteles), goodwill can, and does, cross state and national boundary lines.

Accordingly, while we answer “Yes” to the first certified question, we are not thereby recognizing the famous or well-known marks doctrine, or any other new theory of liability under the New York law of unfair competition. Instead, we simply reaffirm that when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this State, that goodwill is protected from misappropriation under New York unfair competition law. This is so whether the business is domestic or foreign. 294

The Court of Appeals then took on the Second Circuit’s second certified question. It began its analysis with the self-evident point that “[p]rotection from misappropriation of a famous foreign mark presupposes the existence of actual goodwill in New York.” 295 As a necessary consequence, “[i]f a foreign plaintiff has no goodwill in this state to appropriate, there can be no viable claim for unfair competition under a theory of misappropriation.” 296 How, then, to determine whether the required goodwill exists? According to the court:

At the very least, a plaintiff’s mark, when used in New York, must call to mind its goodwill. Otherwise, a plaintiff’s property right or commercial advantage based on the goodwill associated with its mark is not appropriated in this state when its unregistered mark is used here. Thus, at a minimum, consumers of the good or service provided under a certain mark by a defendant in New York must primarily associate the mark with the foreign plaintiff.

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294. *Id.* at *16-17* (citation omitted).
295. *Id.* at *17.
296. *Id.*
Whether consumers of a defendant’s goods or services primarily associate such goods or services with those provided by a foreign plaintiff is an inquiry that will, of necessity, vary with the facts of each case. Accordingly, we cannot—and do not—provide an exhaustive list of the factors relevant to such an inquiry. That said, some factors that would be relevant include evidence that the defendant intentionally associated its goods with those of the foreign plaintiff in the minds of the public, such as public statements or advertising stating or implying a connection with the foreign plaintiff; direct evidence, such as consumer surveys, indicating that consumers of defendant’s goods or services believe them to be associated with the plaintiff; and evidence of actual overlap between customers of the New York defendant and the foreign plaintiff.297

Returning to the merits of the plaintiff’s claims, the court held that “to prevail against defendants on an unfair competition theory under New York law, [the plaintiff] would have to show first, as an independent prerequisite, that defendants appropriated (i.e., deliberately copied), [the plaintiff’s] Bukhara mark or dress for their New York restaurants.”298 As to the second step of the test for liability, “[the plaintiff] would then have to establish that the relevant consumer market for [the defendants’] Bukhara restaurant primarily associates the Bukhara mark or dress with those Bukhara restaurants owned and operated by [the plaintiff].”299 The case was then referred back to the Second Circuit with the instruction that “the certified questions should be answered in accordance with this opinion.”300

At least as a matter of federal law, the famous marks doctrine also fell on hard times in a district court opinion from the Fourth Circuit.301 The lead individual counterclaim defendant in the case was the owner of the maruti.com domain name. The lead counterclaim plaintiff was the owner of a number of registrations of the MARUTI mark for automobiles outside the United States, but neither it nor its fellow counterclaim plaintiffs owned a U.S. registration of the mark or had made any use of the mark in U.S. commerce. Appealing an adverse order under the Uniform Domain Name Dispute Resolution Policy transferring the domain name, and seeking a declaratory judgment of noninfringement, the counterclaim defendants took issue with the claim that the

297. Id. at *17-18 (citation omitted).
298. Id. at *19.
299. Id.
300. Id.
counterclaim plaintiffs had protectable trademark rights under U.S. law in the first instance.

Granting the counterclaim defendants’ motion for summary judgment, the court answered this question in the negative. It rejected the suggestion that any principles other than those codified in the Lanham Act were relevant:

This Court’s jurisdiction to adjudicate domain name disputes comes from the Lanham Act. There is no “common law” of the Internet, and the rights of the defendant[s] are governed by the [Anticybersquatting Consumer Protection Act], which amended the Lanham Act. There is no other treaty or law that is relevant in this case. Although the registration agreement with [the counterclaim defendants’ registrar] requires disputes to be resolved under the UDRP, that contract does not expand the set of rights and obligations created by the Lanham Act.302

The court then held that the counterclaim plaintiffs could not satisfy their obligations under the Act by averring that their mark enjoyed wide notoriety. For one thing, the famous mark doctrine was unrecognized by the Fourth Circuit. Of equal significance, the counterclaim plaintiffs’ mark did not even enjoy secondary meaning within the United States; indeed, the counterclaim plaintiffs’ showing on this point was limited to vague descriptions of advertising in “prominent newspapers and magazines with widespread reach and circulation” and a single Wall Street Journal article that mentioned the lead counterclaim plaintiff.303 Under these circumstances, the counterclaim plaintiffs’ claims of mark fame fell “far short” of succeeding.304

c. Use-Based Geographic Rights

Pursuant to the Tea Rose-Rectanus doctrine, a defendant who is able to establish that it adopted an allegedly infringing mark in good faith and in a geographic area remote from that of a plaintiff who lacks a federal registration may be able to escape liability; indeed, under ordinary circumstances, the defendant is entitled to protect its territory from incursions by the plaintiff.305 The requirement of geographic remoteness and good faith was lost on one defendant whose infringement had taken place at two retail outlets, one across the street from the plaintiff and the other in the

302. Id. at 497.
303. See id. at 500-01.
304. Id. at 501.
same town. Under these circumstances, the court made short work of the defendant’s theory that the plaintiff’s rights were not enforceable against his two locations; on the contrary, it found, “[The defendant] does not direct the Court to any . . . evidence that his . . . stores were in a remote territory where [the plaintiff’s] marks were unknown to consumers.”

3. Distinctiveness

a. Effect of Federal Registrations on the Distinctiveness Inquiry

A registration on the Principal Register constitutes “prima facie” evidence of the underlying mark’s validity, including its distinctiveness, but the nature of this presumption continued to split courts. For example, one Ninth Circuit district court held that to overcome the presumption, the defendant “has the burden of establishing both that the [plaintiff’s] marks are descriptive rather than suggestive, and that [the] plaintiff’s marks have not acquired secondary meaning.” Under this and other cases to similar effect, the presumption of validity affirmatively shifts the burden of proof on the issue of distinctiveness to the defendant. Thus, as the First Circuit explained in addressing the alleged genericness of a registered mark, “[w]here, as here, the party claiming infringement has registered the term on the Principal Register, the registration establishes a rebuttable presumption that the term is not generic. This presumption may be overcome where the alleged infringer demonstrates genericness by a preponderance of the evidence.” That burden-shifting occurs only with the actual issuance of a registration, however, and not with the mere approval for publication of the underlying application.

307. Id. at 528.
310. See Premier Nutrition, Inc. v. Organic Food Bar, Inc., 475 F. Supp. 2d 995, 1001 (C.D. Cal. 2007) (“If a mark is federally registered, it is entitled to a presumption of validity, and the burden of proving invalidity rests on the defendant.”); Krav Maga Ass’n of Am. v. Yanilev, 464 F. Supp. 2d 981, 985 (C.D. Cal. 2006) (“In general, when a plaintiff pursues a trademark action involving a properly registered mark, that mark is presumed valid, and the burden of proving that the mark is generic rests upon the defendant.”).
312. See Globalaw Ltd. v. Carmon & Carmon Law Office, 452 F. Supp. 2d 1, 30 (D.D.C. 2006) (rejecting reliance by counterclaim plaintiff on published application and holding that “[b]ecause [the claimed mark] is not presently a registered trademark, the burden is on . . . the Counterclaim Plaintiff to prove that the term is not generic.”).
In contrast, the Seventh Circuit resumed its role as the primary advocate for the contrary rule.\(^{313}\) It did so in a case brought by a plaintiff with exceedingly modest evidence of secondary meaning—indeed, the plaintiff had yet to use its mark by the time of the defendant’s date of first use. The plaintiff did, however, have a federal registration of its mark, and it sought to use the accompanying presumption of validity in an appeal from a finding of no secondary meaning as a matter of law. The Seventh Circuit was unconvinced that the plaintiff’s registration created a justiciable question of fact on the issue. It held instead that “the presumption of validity that registration creates is easily rebuttable, since it merely shifts the burden of production to the alleged infringer.”\(^{314}\) Accordingly, the appellate court affirmed entry of summary judgment in the defendant’s favor.

Notwithstanding prior Second Circuit authority suggesting that ownership of a registration under these circumstances shifts the burden of proof,\(^{315}\) one Second Circuit district court reached a holding more consistent with the Seventh Circuit’s approach.\(^{316}\) Rejecting the defendant’s genericness challenge to the plaintiff’s mark, the court observed that it “must presume Plaintiff’s mark is valid because it has been federally registered since 2003.”\(^{317}\) Nevertheless, it also held that “[t]he burden of production therefore shifts to the defendant to proffer evidence that the mark is not valid, i.e., that it is generic or descriptive with no secondary meaning.”\(^{318}\)

Some courts addressed the significance of a federal registration in this context without clearly stating which of the competing positions they were adopting.\(^{319}\) For example, the

\(^{313}\) See Custom Vehicles, Inc. v. Forest River, Inc., 476 F.3d 481 (7th Cir. 2007).

\(^{314}\) Id. at 486.

\(^{315}\) The Second Circuit previously had held,

> We are of the opinion that this means . . . that the burden of going forward is upon the contestant of the registration but that there is a strong presumption of validity so that the party claiming invalidity has the burden of proof and in order to prevail it must put something more into the scales than the registrant. In a case such as this, where it can be argued with equal force that a mark is descriptive and on the contrary that it is arbitrary and fanciful, the courts should not overrule . . . the Patent [and Trademark] Office to whose care Congress has entrusted the . . . statute. Aluminum Fabricating Co. v. Season-All Window Corp., 259 F.2d 314, 316 (2d Cir. 1958).


\(^{317}\) Id. at 443.

\(^{318}\) Id.

\(^{319}\) See, e.g., Zinsser Brands Co. v. Glidden Co., 81 U.S.P.Q.2d 1588, 1590-91 (N.D. Ohio 2006) (noting that challenger to validity of registered mark must overcome “presumption” of non-genericness, but not expressly addressing nature of burden); Faegre & Benson, LLP v. Purdy, 447 F. Supp. 2d 1008, 1012 (D. Minn. 2006) (noting that federal registrations owned by plaintiff were entitled to “presumption” of distinctiveness and nonfunctionality, but not
Fourth Circuit upheld a finding that one set of defendants had failed to rebut the presumption of suggestiveness attaching to a mark registered without secondary meaning, but did not identify the quantum of evidence that might have been required to rebut that presumption.\textsuperscript{320} Another court concluded that a registration before it created a presumption of secondary meaning only as of the registration date, a circumstance that excused it from having to address the burden of a defendant with a date of first use prior to that date.\textsuperscript{321} Still another approach was taken by a New York state trial court, which held that even if the registered marks before it were not prima facie valid, they still had acquired secondary meaning.\textsuperscript{322}

\textbf{b. Distinctiveness of Word Marks}

\textbf{(1) Generic Terms and Designations}

In holding as a matter of law that the claimed “globalaw” mark was unprotectable for legal services, one court offered the following explanation of the relevant test for genericness:

A generic term is one commonly used to denote a product or other item or entity, one that indicates the thing itself, rather than any particular feature or exemplification of it. . . . A generic term does not merely identify a particular characteristic or quality of some thing; it connotes the basic nature of that thing. . . . Because a generic term denotes the thing itself, it cannot be appropriated by one party from the public domain; it therefore is not afforded trademark protection even if it becomes associated with only one source.\textsuperscript{323}

Record evidence supporting the court’s conclusion included convincing evidence of generic uses by third-party law firms, law schools, trade publications, and dictionaries, as well as expert

\textsuperscript{320} See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 172 (4th Cir. 2006).


witness testimony and survey evidence.\textsuperscript{324} The counterclaim plaintiffs’ responsive showing, which rested primarily on declaration testimony from three of its customers, was unavailing in light of the counterclaim plaintiffs’ failure to disclose the witnesses earlier and because their testimony did little to educate the court on how the consuming public might perceive the claimed mark.\textsuperscript{325}

An identical result transpired in an action to protect the phrase “brick oven” in connection with pizza.\textsuperscript{326} In affirming a finding of genericness as a matter of law, the Eighth Circuit cited to a variety of record evidence, including the PTO’s rejection of applications by the plaintiff to register the phrase, as well as generic usage by third parties and the media. Of compelling significance, the plaintiff itself had used its claimed mark generically in a utility patent application and in filings with the U.S. Department of Agriculture. Under these circumstances, the plaintiff’s proffered survey evidence of distinctiveness was insufficient to create a justiciable issue of fact.\textsuperscript{327}

The First Circuit similarly held that a plaintiff’s misuse of its claimed mark in a utility patent application was probative of its genericness.\textsuperscript{328} The plaintiff was a manufacturer of carbines who sought to enjoin a competitor’s use of the term M4. Affirming entry of summary judgment in the defendant’s favor, the First Circuit agreed with the district court that the term was generic as a matter of law. Having surveyed evidence that at least fifteen industry participants used the term to refer to a particular model of weapon, the court observed of the record that:

Undisputed information from purchasers of carbines also supports the conclusion that M4 is generic. The record includes e-mail messages sent to [the defendant] by a variety of consumers representing civilian, law enforcement, and military purchasers. The emails use M4 as a generic descriptor. Some of the emails are from customers asking [the defendant] for the price of its M4 and information concerning shipment of its M4. These customers use the phrase M4 to describe the type of gun they hope to purchase, not to identify the manufacturer of the gun.

Finally, there is evidence, albeit limited, that [the plaintiff] has used M4 generically. . . . The record contains a . . .

\textsuperscript{324} See id. at 32-33, 38.
\textsuperscript{325} See id. at 36.
\textsuperscript{326} See Schwan’s IP, LLC v. Kraft Pizza Co., 460 F.3d 971 (8th Cir. 2006).
\textsuperscript{327} See id. at 974.
\textsuperscript{328} See Colt Defense LLC v. Bushmaster Firearms, Inc., 486 F.3d 701 (1st Cir. 2007).
document [generated by the plaintiff] using the term M4 to describe a type of carbine. Specifically, a patent application filed by [an] employee [of the plaintiff] referred to M4 type rifles and carbines.”329

On the basis of this showing, the appellate court held that the defendant had successfully rebutted the evidentiary presumption of validity attaching to the plaintiff’s federal registration.330

Trademark misuse also reared its ugly head in the primer and paint industry. Seeking to protect its federally registered term “spotprime” for a primer product on a motion for a temporary restraining order, one plaintiff failed to demonstrate that it had protectable rights in the first instance.331 Chief among the considerations underlying the court’s finding that the claimed term was generic were uses by the plaintiff itself of “spot prime” to describe painting-related techniques. The plaintiff’s case was not helped by the fact that “the name is made up of two common words in the trade and thus, [the words] fail, in combination, to create a protected mark.”332 With the plaintiff unable to demonstrate a likelihood of success on the merits of its claims, its motion for interlocutory relief fell short of the mark.

Nevertheless, not all findings of genericness rested on the plaintiff’s misuse of its own claimed mark. For example, one court concluded that the claimed “krav maga” mark was unprotectable for martial arts instructional services in light of the plaintiff’s failure to adduce evidence or testimony other than that originating with the plaintiff’s business associates.333 Entering summary judgment in the defendants’ favor, the court noted of the record that:

Attestations from persons in close association with the trademark plaintiff’s business do not reflect the views of the purchasing public. Here, the declarations [submitted by the plaintiffs] are from [the lead plaintiff’s] former students, a licensee of [the lead plaintiff], and an advertising director of a publication that [the lead plaintiff] advertises in.334

In contrast, the defendants’ showing was firmly grounded in uses by third parties, including generic uses on Wikipedia, and in advertisements, trade journals, magazine articles, and “various

329. Id. at 706-07 (citations omitted).
330. See id. at 707.
332. Id. at 1591.
334. Id. at 988.
publications that refer to the term ‘krav maga’ generally as an Israeli form of self-defense.”

Generic usage by third parties played a similar role in another court’s finding after a bench trial that the claimed “kettle chips” mark was generic when used in connection with potato chips. Much of that usage was by the media, which, the court noted, “is often considered to have its finger on the pulse of the general public, and its use of a particular term will likely conform to the public’s understanding of that term.” Still more generic usage was by third-party producers of competitive goods, leading the court to conclude, “The cumulative effect of the extensive generic use of ‘kettle’ by competitors is that consumers learn that ‘kettle’ refers to a type of potato chip, and not any particular producer.”

As a final consideration, the court cited the testimony of genericness by “two prominent and respected leaders in the potato chip industry,” as being all the more probative because it was corroborated by “a long-time and very highly regarded employee” of the plaintiff. With survey evidence from both parties in equipoise, a finding of genericness was warranted because “the media, competitors, and industry leaders all use ‘kettle’ and ‘kettle chips’ as generic terms.”

Although most cases reaching findings of genericness did so in the context of actions to protect verbal marks, one court held that a nonverbal design can also be generic. The designs in question were decorative ceramic tiles, the trade dress rights to which the plaintiff alleged had been infringed by the defendant’s introduction of similar tiles. Although the court might well have found the designs to be aesthetically functional, it granted the defendant’s motion for summary judgment on distinctiveness grounds, holding that:

[T]o determine whether plaintiff’s product design is generic, the court assesses whether (1) the design’s definition is overbroad or too generalized; (2) the design is the basic form of a type of product; or (3) the design is so common in the

335. Id. at 987.
337. See id. at 1189-90.
338. Id. at 1189.
339. See id. at 1190-92.
340. Id. at 1192.
341. See id. at 1192-93.
342. Id. at 1193.
industry that it cannot be said to identify a particular source. With the plaintiff's showing found to be inadequate under each prong of this analysis, a finding of unprotectability as a matter of law followed. Some courts did not reach final findings of genericness but instead deferred final resolution of the issue until later. For example, one court still relied on record evidence of a lack of distinctiveness to deny the plaintiff's motion for a preliminary injunction. The claimed mark was ORGANIC FOOD BAR, which was registered for ready-to-eat nutritional and dietary supplements. Although holding that the registration shifted the burden of proof to the defendant to prove genericness, the court nevertheless held that that burden had been sufficiently satisfied that the plaintiff was unlikely to succeed on the merits of its infringement claims. Considerations underlying this finding included (1) dictionary definitions of the individual words making up the mark; (2) evidence that third parties used the claimed mark in its generic sense; and (3) the appearance of the claimed mark in the USPTO's manual of acceptable goods and services. Under these circumstances, the court held, "there are serious questions relating to the merits of [the distinctiveness of the claimed mark], but [the plaintiff] has not established a likelihood of success."

(2) Descriptive Marks

According to a characteristic definition, "[d]escriptive marks directly define an attribute of the product in a way that does not require any leap of the imagination." The category also consists of surnames, a point rather strikingly made in litigation

344. Id. at 963.
345. See id. at 963-64.
346. See, e.g., McKillip Indus. v. Integrated Label Corp., 477 F. Supp. 2d 928, 929-32 (N.D. Ill. 2006) (holding on counterclaim defendant's motion for summary judgment that factual disputes precluded finding as a matter of law that counterclaim plaintiff's registered INTEGRATED LABELS, INTEGRATED CARDS, and INTEGRATED FORMS marks were generic for products used in the printing industry).
348. See id. at 1002.
349. Id.
351. See, e.g., John Allan Co. v. Craig Allen Co., 505 F. Supp. 2d 986, 1000 (D. Kan. 2007) ("In this case, the mark is a name. Plaintiff must establish secondary meaning in order to be given protection under the Lanham Act."); Ferrellgas Partners, Inc. v. Barrow, 80 U.S.P.Q.2d 1097, 1104 (M.D. Ga. 2006) ("The [plaintiff's] mark utilizes a surname and is
between lawyers. Thus, for example, one finding of descriptiveness came in a dispute between a law firm and two of its departed partners. Challenging the defendants’ use of a similar name for their new firm, the plaintiff firm was required to demonstrate that its own mark, which was composed of the surnames of past and current partners, had acquired distinctiveness. According to the court, “[u]nder the Lanham Act, personal surnames are generally treated as descriptive terms that require a showing that they have acquired a secondary meaning before they are afforded protection.”

Even intellectual property lawyers fell victim to this rule. Following his departure from a firm, one such attorney objected to the firm’s continued maintenance of an Internet domain that incorporated his last name. In an opinion ultimately denying the plaintiff’s motion for a preliminary injunction, the court observed, as a threshold matter, “Personal names can serve as a trademark, but they are considered ‘descriptive,’ not inherently distinctive marks, so they are treated as protectable trademarks only upon a showing of distinctiveness and secondary meaning.”

The Seventh Circuit got into the act in a non-surname case, by affirming a finding as a matter of law that WORK-N-PLAY was not an inherently distinctive mark for a van that could be converted from a mobile office into a camper and vice versa. The court noted that “[a] descriptive mark is not a complete description, obviously, but it picks out a product characteristic that figures prominently in the consumer’s decision whether to buy the product or service in question.” Under this standard, “Work-N-Play” is what in trademark law is called a ‘descriptive’ mark. That is, it does more than merely name a brand; it describes the product category to which the brand belongs (so Maxwell House is a brand, coffee the product).”

The ARKANSAS TROPHY HUNTERS ASSOCIATION mark for a hunting group was similarly classified on the plaintiff’s motion for a preliminary injunction:

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353. Id. at 1077.
355. Id. at 320-21 (footnote omitted).
356. See Custom Vehicles, Inc. v. Forest River, Inc., 476 F.3d 481 (7th Cir. 2007).
357. Id. at 483.
358. Id.
While the word “trophy” might, it is true, have a secondary meaning, because there are “trophies” other than animals which are hunted for sport (for example, athletic trophies or trophy wives), those trophies are not “hunted” so much as “won,” “vied for” or “sought after.” When the words “trophy” and “hunters” are combined, the phrase is, in the Court’s view, simply and clearly descriptive of people who try to kill animals of sufficient size, age, or rarity to be considered suitable for mounting. The addition of the word Arkansas does not change the analysis. . . . “Arkansas” is primarily geographically descriptive, and “trophy hunters association” is merely a descriptive term.359

Some marks were determined to be descriptive without extended analysis. For example, the Seventh Circuit held, “Because the phrase ‘Smart Foreclosure Buying’ is descriptive [for a book on buying real estate at foreclosure sales], it cannot be protected under trademark law without proof that consumers associate its use with the plaintiff’s product.”360 Similarly, a district court found that the BAY STATE mark was geographically descriptive of banking, insurance, and investment services provided in Massachusetts.361

(3) Suggestive Marks

Cases finding marks suggestive did so without breaking any new doctrinal ground.362 One such case addressed claims of protection to the registered marks CONVERSIVE and CONVERSIVE AGENT for software.363 Rejecting the defendant’s attempt to rebut the presumption of validity attaching to the plaintiff’s marks, the court concluded that “[a]lthough both marks could be read to refer to a dialogue or a conversation, it requires a substantial mental leap to identify the specific method of communication—a two-way dialogue between a human website

360. Vincent v. City Colleges of Chicago, 485 F.3d 919, 924 (7th Cir. 2007).
user in one physical location, and a computer-generated responsive customer service ‘agent’ in another physical location.”

The Fourth Circuit similarly affirmed a finding of suggestiveness for the registered GLASS DOCTOR mark for “the installation of glass in buildings and vehicles.” The appellate court was influenced in part by the USPTO’s registration of the mark without requiring the plaintiff to demonstrate secondary meaning, noting, “we are obliged to defer to the determination of the PTO, which constitutes ‘prima facie evidence of whether the mark is descriptive or suggestive.” It also held, however, “[i]n viewing the word ‘doctor’ to mean ‘healing,’ some imagination is necessary to deduce that ‘healing’ applies to the repair or installation of glass and windshields.” Consequently, “because the use of imagination is essential to an understanding of the real meaning behind [the plaintiff’s] . . . mark, the district court properly concluded that the . . . mark was ‘suggestive,’ rather than ‘descriptive.’”

The AMERICAN DREAM mark also was found to be suggestive when used for a local cable television program. As characterized by the plaintiff, her program “emphasize[d] . . . family heritage, struggles, goals, dreams, and accomplishments.” This led the defendant to argue that the mark was actually a generic term that made an appearance in numerous dictionaries. The court was unconvinced, concluding instead, “these definitions are not sufficiently consistent so as to suggest that an ordinary consumer confronted with the term ‘American Dream’ would immediately sense the identical thing, much less perceive the characteristics of Plaintiff’s show.” The court found further support for this result in past uses of American Dream as the title of other television shows and motion pictures with content wholly unrelated to that of the plaintiff’s programs.

Finally, one court categorized the MEN’S SERVICE REDISCOVERED and A RETURN TO A SIMPLER TIME marks as suggestive for men’s salon services. According to the court,

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364. *Id.* at 1088.
366. *Id.* at 172 (quoting Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 934 (4th Cir. 1995)).
367. *Id.* at 172.
368. *Id.*
370. *Quoted in id.* at 438 (ellipses in original).
371. *Id.* at 445.
“[b]oth of the marks require the consumer to use thought, imagination, or perception to connect the marks with the services that plaintiff provides.” Specifically, “neither mark would mean much to a prospective patron who had no idea about the services or products being offered.”

(4) Arbitrary Marks

The standard used to identify arbitrary marks was frequently stated, if infrequently applied, by reported opinions that reached findings of arbitrariness. According to one court, “[a]rbitrary marks use common words, symbols, and pictures that do not suggest or describe any quality or characteristic of the goods or services.” Applying this standard, the court concluded that the following design was an arbitrary mark for men’s hair styling services:

As the court explained, “[s]ince the mark is comprised of only initials in a circle logo, the court finds that this mark is not generic or descriptive, but rather arbitrary.”

(5) Fanciful or Coined Marks

The past year did not produce a wealth of findings that marks were either fanciful or coined. One court evaluating the proper

374. Id. at 999.
375. Id.
376. In an unreported opinion, the EQUINOX mark passed muster as an inherently distinctive indicator of the origin of the plaintiff’s whole-house water-filtration system:

The Equinox mark, when used in conjunction with the whole-house system, is an arbitrary mark. Ordinarily, “equinox” refers to the two times per year when the sun crosses the equator, causing the day and night to be of equal length. When used in conjunction with the whole-house system, the mark Equinox bears no relationship to the product. Its only purpose was to identify the whole-house system as a product of [the plaintiff].

378. Id. at 1003.
placement of the AVENTIS mark for pharmaceuticals on the spectrum of distinctiveness had difficulty making up its mind. Initially concluding that the mark “falls somewhere between suggestive and arbitrary,” the court explained of the applicability of the former category, that “[t]he name is intended to suggest innovation and movement....” Ultimately, however, the court determined that “AVENTIS is a coined term and, therefore, without context, would likely have little meaning to an ordinary consumer and would be arbitrary.” In light of the absence of any dictionary definition of the mark, the classification of it as coined was undoubtedly the correct result, notwithstanding the court’s flirtation with the suggestive and arbitrary categories.

The absence of dictionary definitions played a role in another finding that a mark was coined. The mark in question was ADVANTUS, used in connection with a variety of health care and insurance services. The defendant argued that the mark was a weak one as a result of extensive third-party use, but it otherwise did not contest the mark’s inherent distinctiveness. Not surprisingly, therefore, the court found that:

Advantus is a coined, or invented, word—one not found in the dictionary. The law recognizes a word coined for the sole purpose of identifying products in the marketplace as the strongest of marks because its “inherent novelty creates a substantial impact on the buyer’s mind.”

c. Distinctiveness of Trade Dress

If the Supreme Court’s opinion in Samara Bros. v. Wal-Mart Stores, Inc. resolved the issue of whether product configurations could be inherently distinctive indicators of organ, it did little to settle the test for the inherent distinctiveness of packaging trade

379. For examples of unreported opinions reaching such a finding, see Sun Water Sys., 2007 WL 628099, at *14 (finding EQ-300 mark fanciful for whole-house water-filtration systems); Wisell v. Indo-Med Commodities, Inc., 836 N.Y.S.2d 491 (Sup. Ct. 2006) (finding IMUSA mark fanciful for various food commodities.)


381. Id. at 850.

382. Id.

383. As the court apparently so found at an earlier point in its opinion: “Because AVENTIS and [the defendant’s mark] are coined terms, there are no dictionary definitions for them...” Id. at 849.


385. Id. at 1745 (quoting Aveda Corp. v. Evita Mktg., Inc., 706 F. Supp. 1419, 1428 (D. Minn. 1989)).

386. 529 U.S. 205 (2000).
dress. In the absence of guidance, one court adopted the spectrum of distinctiveness applicable in the word mark context, holding that:

In assessing distinctiveness, courts simply apply a five-part continuum of increasing distinctiveness. A trademark or trade dress may be (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. Marks and dresses falling into the latter categories are entitled to protection without a showing of secondary meaning.\(^{387}\)

Applying this test, the court accepted the plaintiff's argument that images of a reclining Marilyn Monroe were inherently distinctive when used in connection with wine. Although the defendant invoked the ubiquitousness of the images in an attempt to demonstrate their unprotectability, the court instead found that “the use at issue in this case is not simply the use of the Marilyn Monroe image, it is the use of the Marilyn Monroe image on wine bottles.”\(^{388}\) It therefore concluded, “[b]ecause the use of Marilyn Monroe images on wine labels is a valid trade dress and there is no natural connection between Marilyn Monroe and wine, the [plaintiff's] trade dress is inherently distinctive.”\(^{389}\)

d. Secondary Meaning Determinations

(1) Cases Finding Secondary Meaning

Some plaintiffs over the past year were successful not only in demonstrating secondary meaning, but doing so as a matter of law. The leading case featuring such a result came from the Sixth Circuit, which affirmed entry of summary judgment in favor of two plaintiffs seeking to enforce trade dress rights to the unregistered configuration of their HUMMER motor vehicles.\(^{390}\) The court began its analysis by noting that:

To demonstrate secondary meaning, the evidence must show that “in the minds of the public, the primary significance of the trade dress is to identify the source of the product rather than the product itself.” This Court applies a seven-factor test to determine whether secondary meaning exists in a trade dress: (1) direct consumer testimony, (2) consumer surveys, (3) exclusivity, length, and manner of use, (4) amount and

\(^{387}\) Nova Wines, Inc. v. Adler Fels Winery LLC, 467 F. Supp. 2d 965, 975 (N.D. Cal. 2006) (citation omitted).

\(^{388}\) Id. at 977.

\(^{389}\) Id.

manner of advertising, (5) amount of sales and number of customers, (6) established place in the market, and (7) proof of intentional copying.\textsuperscript{391}

The court rather generously applied these factors in the plaintiffs’ favor. The defendant had introduced its allegedly infringing product in 1992, shortly after that of the plaintiffs, leaving the plaintiffs only a very narrow window of opportunity within which to establish secondary meaning. As the Sixth Circuit noted of the plaintiffs’ showing:

Direct consumer testimony is unavailable pre-1992. There was little exclusivity, length, and manner of use of the trade dress pre-1992. There was no advertising, with the exception of the presence of [a related military version of plaintiffs’ vehicle] in the Gulf War. Finally, there were no sales and no established place in the market for the vehicles at that time.\textsuperscript{392}

Under ordinary circumstances, this would not be the stuff of which secondary meaning is made. Nevertheless, the plaintiff was able to adduce evidence of the defendant’s copying of the plaintiffs’ design, as well as post-1992 survey results showing brand recognition of the design among respondents. Although acknowledging that the former was not dispositive standing alone and that the latter properly should be accorded reduced weight, the appellate court held that summary judgment in the plaintiffs’ favor had been appropriate because “[the defendant] was unsuccessful in its attempt to discredit the proof offered by [the plaintiff].”\textsuperscript{393}

In another case in which resolution of the secondary meaning inquiry occurred as a matter of law, four universities challenged the use of their school colors on sportswear produced and sold by the defendants.\textsuperscript{394} Granting the plaintiffs’ motion for summary judgment, the court applied the standard Fifth Circuit test for secondary meaning, and took into account the following factors: (1) the length and manner of the plaintiffs’ marks; (2) the volume of the plaintiffs’ sales; (3) the amount and manner of the plaintiffs’ advertising; (4) the nature of the marks’ use in newspapers and magazines; (5) survey evidence of distinctiveness; (6) direct consumer testimony; and (7) the defendant’s intent in copying the marks.\textsuperscript{395} The plaintiffs introduced evidence and testimony under each of these factors, but the court may have been swayed most by its finding that “[d]efendants admit that they selected the color

\textsuperscript{391} Id. at 418 (quoting Inwood Lab. v. Ives Lab., 456 U.S. 844, 851 n.11 (1982)).

\textsuperscript{392} Id. at 419-20 (internal quotation marks omitted).

\textsuperscript{393} See id. at 420.


\textsuperscript{395} See id. at 658.
schemes, logos, and designs for their shirts in order to refer to the universities and call them to the mind of the consumer."..."

In another case in which secondary meaning was found as a matter of law, the plaintiff was a Connecticut law firm, the formal name of which was SUISMAN, SHAPIRO, WOOL, BRENNAN, GRAY & GREENBERG. When the sons of the original Mssrs. Suisman and Shapiro resigned from the firm and began operating under the name SUISMAN & SHAPIRO, the firm predictably filed suit. In entering summary judgment in the plaintiff firm’s favor, the court held that the abbreviated SUISMAN, SHAPIRO version of the firm’s name had acquired distinctiveness “that is distinct from the individuals whose names appear in the name of the plaintiff firm.” Not only did the defendants admit that the legal community referred to the plaintiff firm as SUISMAN, SHAPIRO, the court took “judicial notice of the custom, at least in Connecticut, of identifying law firms by the first two names in a firm’s title when the firm’s name includes several individual names.” Under these circumstances, “[a] reasonable fact finder could reach no conclusion on the basis of the undisputed evidence other than that, in the market for legal services in Connecticut, the mark ‘Suisman Shapiro’ has become synonymous with, and refers distinctly to, the entity that is the plaintiff law firm.”

A dispute that similarly involved the rights to a surname mark also resulted in a finding of acquired distinctiveness as a matter of law. On the plaintiff’s motion for summary judgment, the court applied the Eleventh Circuit factors for consideration in secondary meaning inquiries, namely: (1) the length and manner of the mark’s use; (2) the nature and extent of the mark’s promotion; (3) the efforts made by the mark’s owner to promote a conscious connection in the public’s mind between the mark and the owner’s business; and (4) the extent to which the public actually identifies the name with the owner’s business. Chief among the evidence demonstrating the existence of secondary meaning was the use of the mark for over thirty-five years prior to the defendant’s confusingly similar use.

396. Id.
398. Id. at 1077.
399. See id.
400. Id. at 1078.
401. Id.
403. See id. at 1104.
404. See id.
Of course, not all findings of acquired distinctiveness resulted from plaintiffs’ motions for summary judgment. For example, one court articulated the following test for secondary meaning after a bench trial in an action to protect the allegedly distinctive design of a plumeria blossom incorporated into the plaintiff’s jewelry:

Factors courts consider in determining secondary meaning include: (1) whether actual purchasers associate the dress with the source; (2) the degree and manner of advertising by the party seeking protection; (3) the length and manner of use of the dress; and (4) whether the use by the party seeking protection has been exclusive.

The court ultimately found that the design had acquired secondary meaning based on the plaintiff’s exclusive use and advertising of it for eleven years, the design’s receipt of awards from third parties, and “unrefuted” evidence that consumers actually associated the design with the plaintiff.

The Fourth Circuit’s multifactor test for acquired distinctiveness came into play in a bench trial before a Tenth Circuit district court. Evaluating allegations of the protectability of a personal name as a mark, the court held that the following merited consideration in the secondary meaning inquiry: (1) advertising expenditures; (2) consumer studies linking the mark to a single source; (3) sales success; (4) unsolicited media coverage of the plaintiff’s product; (5) attempts to plagiarize the mark; and (6) the length and exclusivity of the plaintiff’s use of its mark.

The court had little difficulty finding that the plaintiff had met this standard based on nationwide sales in the millions of dollars under the mark, coverage of the plaintiff in national media, the length and exclusivity of the plaintiff’s use, and the intentional copying by the defendants. As the court remarked of this last consideration, “[t]he [infringing] mark . . . was intentionally used after defendants visited [the plaintiff’s business] numerous times.”

405. For an example of a court reaching a finding of secondary meaning in the apparent absence of objections from the defendants, see Metro. Transit Auth. v. 476 Smith Street Corp., 81 U.S.P.Q.2d 1205, 1207 (N.Y. Sup. Ct. 2006).


407. See id.


410. See id. at 1001.

411. Id.
(2) Cases Declining to Find Secondary Meaning

It is black letter trademark law that the owner of a descriptive mark not only must prove its mark has secondary meaning, it must do so as of the date of first use of the defendant’s mark. For example, in one Seventh Circuit appeal, the plaintiff was a producer of vans that could be converted from mobile offices to campers and back again. Although the plaintiff had sold seven units by the time the district court entered summary judgment in the defendant’s favor, the only one of those sales to occur before the defendant’s entry into the market had not taken place under the plaintiff’s claimed WORK-N-PLAY mark. Affirming the district court’s finding of no secondary meaning as a matter of law, the Seventh Circuit observed, “it is difficult, maybe impossible, for a small seller of an unpopular brand—a seller who has negligible sales—to acquire secondary meaning for its brand name.” It then held that:

[The plaintiff’s] basic problem is that the only novel feature of its van—that it can be used as both a mobile office and a recreational vehicle—did not satisfy a large pent-up demand that, had it materialized, might have conferred secondary meaning on [the plaintiff’s] mark before anyone else could get in on the act. . . .

We suppose that one sale of a $150 million airplane or yacht within the first six months might be sufficient use, for it would be enough to seize the attention of the relevant market. But not one sale of a van.

A finding of no acquired distinctiveness as a matter of law also occurred in a case between two financial institutions using variations of BAYSTATE and BAY STATE marks. Requiring the plaintiff to show secondary meaning as of the date of the defendant’s first use, the court applied First Circuit authority to hold that:


413. See Custom Vehicles, Inc. v. Forest River, Inc., 476 F.3d 481 (7th Cir. 2007).

414. Id. at 484.

415. Id. at 485.

Among the factors courts generally look to in determining whether a term has secondary meaning are (1) the length or exclusivity of use of a mark; (2) the size and prominence of the plaintiff’s enterprise; (3) the existence of substantial advertising by plaintiff; (4) the product’s established place in the market; and (5) proof of intentional copying. “Customer survey evidence, while not required, is a valuable method of showing secondary meaning.”

The plaintiff’s showing proved inadequate under this test because the showing related to the plaintiff’s core banking business and not to the insurance and investment services provided by both parties. Thus, for example, the court rejected evidence of use since 1895 and of the plaintiff’s advertising expenditures because “all of the promotional efforts and publicity during the relevant time frame concerned plaintiff’s banking activities, not its insurance and investment services.” The court similarly dismissed two surveys purporting to show the distinctiveness of the plaintiff’s mark in its core market of banking services because they failed to show name recognition in the insurance and investment fields the defendant occupied. A third was insufficient because it was taken after the defendant’s date of first use, because it also measured distinctiveness only in the plaintiff’s core market, and because only 38.6% of respondents at best associated the claimed mark with the plaintiff in any case.

The court’s methodology thus confused the distinctiveness and liability inquiries: Even if the plaintiff’s mark had secondary meaning only for banking services, that showing should have been sufficient to allow it to attempt to demonstrate a likelihood of confusion between the mark in that context and the defendant’s mark.

Summary judgment of nondistinctiveness also came in a case in which the plaintiff sought to protect “kosher yellow pages” for a telephone advertising directory. Applying Second Circuit authority, the court observed, “[a]mong the factors that courts have found relevant to the question of secondary meaning are: (1) advertising expenditures; (2) consumer studies; (3) sales success; (4) unsolicited media coverage; (5) attempts to plagiarize the mark; and (6) length and exclusivity of the mark’s use.”

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417. Id. at 214 (quoting I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 42 (1st Cir. 1998)).
418. Id. at 215.
419. See id. at 215-16.
421. Id. at 344.
that “the Second Circuit has stated that district courts should be cautious in weighing these factors at the summary judgment stage,” the court nevertheless concluded that the plaintiff had failed to create a justiciable question of fact as to the acquired distinctiveness of its mark. Key considerations underlying this conclusion included that plaintiff’s failure to provide advertising figures tied to the mark, sales data, or favorable survey evidence. Against this backdrop, the plaintiff’s submission of identically worded consumer affidavits and its claim of exclusive use for three years proved to be unconvincing.

Even a relatively rare reported opinion originating in the District of Columbia Circuit got into the act by finding that a mark claimed by a law firm lacked acquired distinctiveness as a matter of law. Quoting prior authority from its jurisdiction, the court held that:

[W]hile there is no definitive list of criteria used to determine secondary meaning, courts do look to (1) the duration and continuity of use of the mark, (2) the extent of advertising and promotion and amount of money spent thereon, (3) figures showing sales of plaintiff’s products or number of people who have viewed it, and (4) identification of plaintiff’s and defendant’s respective markets.

In an application of these standards, the court concluded that the trademark claimants had failed to create a justiciable question of fact concerning the secondary meaning of their alleged mark. Not only had they failed to introduce survey evidence of distinctiveness, despite their opponents’ submission of survey evidence to the contrary, their use had been erratic, unaccompanied by meaningful advertising, and in fields in which their opponents did not operate. Finally, extensive third-party use of virtually identical terms also weighed against a finding of secondary meaning.

These holdings notwithstanding, at least some judicial rejections of claims of secondary meaning were occasioned not by motions for summary judgment but instead by plaintiffs’ showings.
at other stages of the proceedings.\textsuperscript{427} Perhaps the most interesting opinion falling into this category arose from a motion for a preliminary injunction brought by an intellectual property lawyer against his former firm, which continued to maintain an Internet domain name that incorporated his surname.\textsuperscript{428} The court was skeptical that the plaintiff’s surname had the secondary meaning required for the relief sought:

Although [the plaintiff] has used “Tillery” as his personal last name all his life, it does not appear from the record that it was ever used in connection with a business or a product except as part of the name of law firms with which he was associated since his third year of practice (\textit{i.e.}, Leonard, Tillery & Davison and then Leonard, Tillery & Sciolla, LLP). There is no evidence that he commanded a particularly large share of the market, or that he made substantial efforts to advertise his own legal services separately from the law firms’. No customer surveys or customer testimony are in evidence. There is also no evidence that others tried to copy his trademark by passing off their own legal services as “Tillery” legal services. In contrast, [a partner in the plaintiff’s former firm] testified-and documents tended to show-that [the plaintiff] generated only a few new client matters in the last 16 months of his association, and those were, almost without exception, from referrals by others. Evidently [the plaintiff’s] name was not so well known that strangers sought his services.\textsuperscript{429}

The claimed mark at issue in yet another case in which allegations of acquired distinctiveness fell short was the configuration of a lamp base in the shape of a monkey.\textsuperscript{430} In concluding that the configuration had not acquired secondary meaning, the court relied heavily on the longevity and exclusivity of the plaintiff’s use:

Secondary meaning requires that the trade dress user show that, by long and exclusive use of a particular trade dress, its product design has become so familiar to the public, that the

\textsuperscript{427} See, \textit{e.g.}, Ark. Trophy Hunters Ass’n v. Tex. Trophy Hunters Ass’n, 506 F. Supp. 2d 277, 281 (D. Ark. 2007) (rejecting, without extended analysis, plaintiff’s claims of secondary meaning on motion for preliminary injunction).


\textsuperscript{429} \textit{Id}. at 321.

design serves to identify the source of the goods and to distinguish them from those of others.431

It ultimately resolved the issue in the defendants’ favor, concluding, “no evidence was submitted demonstrating that the . . . design was used exclusively by [the plaintiff] for such a long period of time that it became identified with the company.”432

(3) Secondary Meaning to be Determined

The issue of whether a non-generic, but non-inherently distinctive, mark has acquired secondary meaning is a question of fact,433 and not surprisingly, this leads some courts confronted with the issue to defer its resolution until trial. One particularly ill-fated motion for summary judgment was denied under an application of the Ninth Circuit’s multifactored test for acquired distinctiveness:

Some of the factors to be considered in determining whether secondary meaning has been achieved include: (1) whether actual purchasers of the product bearing the claimed trademark associate the trademark with the producer; (2) the degree and manner of advertising under the claimed trademark; (3) the length and manner of use of the claimed trademark; (4) whether use of the claimed trademark has been exclusive; (5) evidence of sales, advertising, and promotional activities; (6) unsolicited media coverage of the product; and (7) attempts to plagiarize the mark.434

The rights at issue related to the title and appearance of the book Jonathan Livingston Seagull, which, the court observed, “[p]laintiffs have submitted, and [the defendants do] not dispute. . . . is one of the most widely read novels of all time.”435 The evidence also showed that the book “has sold over thirteen million copies in English and has never been out of print, spent 38 weeks at Number 1 on the New York Times best-seller list, was featured on the cover of Time magazine, and has been translated into more than twenty languages.”436 The defendants were also faced with admissions that their choice of a seagull logo was to invoke the philosophy of the book.437 Their motion for summary

431. Id. at 2009.
432. Id. at 2010.
434. Id. at 1124.
435. Id.
436. Id.
437. See id.
judgment therefore was grounded in the theories that various editions of the book had featured differing covers, that the book was associated with two authors, a publisher, a designer, and “at least one other company” rather than a single source, and that no respondents to a survey had associated the trademarks and trade dress at issue with the plaintiffs. As to the first of these, the court held, “[t]he fact that Plaintiffs have used other cover designs to identify the book is not fatal to their secondary meaning argument,” while, as to the second, the court held, “[i]t is only logical that the authors of a creative work may serve as a ‘single source’ even when others were involved in the creation of the work.” Under these circumstances, the otherwise favorable survey evidence was not sufficient to entitle the defendants to summary judgment.

Another challenge to a plaintiff’s claims of secondary meaning was sufficiently without merit that the court saw fit to reject it even without a response from the plaintiff. Among other claims in his complaint, the plaintiff claimed protectable rights to the trade dress of a children’s book he had authored. Moving for a dismissal of the action for failure to state a claim upon which relief could be granted, the defendants argued that the plaintiff had not sufficiently alleged that his trade dress had acquired distinctiveness. Based on its independent analysis of the complaint following the plaintiff’s failure to respond to this aspect of the motion, the court disagreed, holding instead that the plaintiff’s allegations “are not elaborate, but broadly read, they barely survive [the plaintiff’s] motion.”

e. Survey Evidence of Distinctiveness

One of the more notable treatments of survey evidence of distinctiveness came in a Sixth Circuit opinion. The case producing it was a trade dress dispute in which the defendant had introduced its allegedly infringing designs in 1992 and 1997. In support of their claims of secondary meaning, the plaintiffs introduced surveys conducted in 1999 and 2002. Not surprisingly, the defendant argued that, because secondary meaning necessarily must have existed as of that entry, the surveys were irrelevant. On this issue, the court held that:

438. Id. 1124-25.
439. Id. at 1125.
440. See id.
442. Id. at 782.
This Court has historically favored the use of consumer surveys as proof of secondary meaning. However, the question remains whether we should ignore all survey evidence conducted post-infringement or accept the evidence with the understanding that the survey does not reflect a pre-infringement world. A court may easily take into consideration the strength of recognition at the time of the survey in light of the amount of time passed between that date and the date of infringement. . . . This seems to be the appropriate choice, given the relatively unlikely scenario that a company has conducted a pre-infringement survey and this Court’s strong support for survey evidence in evaluating secondary meaning.444

That ninety-six percent of respondents in 1999 and seventy-seven percent of respondents in 2002 recognized the plaintiffs’ designs was therefore probative of the designs’ secondary meaning years earlier.445

Other courts gave distinctiveness surveys less weight.446 One district court opinion declining to accord significant weight to a plaintiff’s surveys took a more conventional approach to the timing issue.447 In support of its claims of distinctiveness, the plaintiff introduced the results of three surveys. One, however, had been conducted after the defendant’s adoption of the challenged mark, leading the court to dismiss its significance in part because “the survey—which was conducted in 2005–06—is irrelevant to the issue of whether plaintiff’s marks had acquired secondary meaning as of 1997.”448 The remaining two surveys had not been conducted for the purposes of demonstrating secondary meaning and suffered the additional fault, in the court’s view, of demonstrating secondary meaning only in the plaintiff’s core banking business, rather than in the insurance and investment services fields in which the parties had more recently begun to compete.449

It is rare for a properly conducted survey to be excluded from evidence altogether, but the Eighth Circuit declined to reverse a

444. Id. at 419 (citations omitted).
445. Id.
448. Id. at 217.
449. See id. at 215-16.
district’s refusal to entertain survey evidence of distinctiveness in an appeal from a finding of genericness as a matter of law.\textsuperscript{450} The basis for both the original exclusion and the appellate court’s decision not to disturb it was convincing evidence introduced by the defendant that the claimed mark in question was generic prior to the defendant’s adoption of it. Because the survey could not cure the this lack of distinctiveness \textit{ab initio}, there was no need for it to be considered.\textsuperscript{451}

4. Functional Features

\textit{a. Effect of Federal Registrations on the Functionality Inquiry}

The significance to the functionality inquiry of a federal registration covering a claimed trade dress arose with greater frequency than in recent years. On the one hand, the Ninth Circuit reiterated its historical rule that the presumption of validity accompanying a federal registration shifts the burden of proof to the defendant to prove otherwise.\textsuperscript{452} In that jurisdiction, therefore, registered marks “are . . . presumed to be valid, distinctive and non-functional.”\textsuperscript{453}

A similar result held in a case before a Seventh Circuit district court.\textsuperscript{454} The counterclaim plaintiff was a manufacturer of folding chairs, which had secured a federal registration covering one of its designs. Although the court ultimately concluded that the design was functional as a matter of law, it placed the burden of proof on the counterclaim defendant to make this showing:

Whether a party has a registered trademark or asserts a trademark or a trade dress under common law affects the burden of proof. Because a registered trademark is presumed to be valid, the party claiming the trademark’s invalidity has the burden of proof. Where a trademark or trade dress is claimed in common law, but is not registered with the PTO, the party claiming trademark or trade dress protection has the burden of proving trademark or trade dress is not functional.\textsuperscript{455}

\begin{itemize}
\item \textsuperscript{450} See Schwan’s IP, LLC v. Kraft Pizza Co., 460 F.3d 971 (8th Cir. 2006).
\item \textsuperscript{451} See id. at 975-76.
\item \textsuperscript{452} See Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1072 (9th Cir. 2006), \textit{cert. denied}, 127 S. Ct. 1838 (2007).
\item \textsuperscript{453} Id.
\item \textsuperscript{454} See Specialized Seating, Inc. v. Greenwich Indus., 472 F. Supp. 2d 999 (N.D. Ill 2007).
\item \textsuperscript{455} Id. at 1011.
\end{itemize}
Judicial skepticism over claims of trade dress protection to product designs resulted in several notable findings of utilitarian functionality, most notably in a case brought by a manufacturer of fishing line guides against a competitor that had introduced a line of products featuring similar appearances. The plaintiff had secured both utility and design patents, a circumstance that set up competing presumptions on the subject of functionality. On the one hand, the Sixth Circuit concluded, “[a] design patent, counter to a utility patent, is presumptive evidence of nonfunctionality, evidence that may support a similar trademark claim.” On the other hand, however, the presumption of validity attaching to the utility patents weighed in the opposite direction. Under these circumstances, the court observed, “the utility patent presents a presumption of functionality and the design patent presents a presumption of non-functionality. Clearly, the variety of intellectual property in this case demonstrates that the issue cannot be decided through evidentiary presumptions.”

Having disposed of these competing presumptions, the Sixth Circuit turned to the record evidence that had led the district court to find that the designs were functional and therefore unprotectable. The appellate court referred approvingly to the district court’s application of the four-factor Morton-Norwich test for functionality, which focuses on: (1) the existence of a utility patent disclosing the utilitarian benefits of the design; (2) advertising materials in which the plaintiff has touted the functional advantages of its design; (3) the availability of functionally equivalent alternatives; and (4) whether the design results in a comparatively simple or cheap method of manufacturing the product. Although concluding that the plaintiff came up short under each of the factors, the court’s analysis focused most heavily on the significance of the plaintiff’s utility patents. Rejecting the plaintiff’s argument that the designs in question lay outside the scope of its patents because they were ornamental and not expressly described by the patents’ claims, the court concluded that the designs fell within the patents’ scope under an application of the doctrine of equivalents. In the process, it rejected the plaintiff’s argument that such a determination could

457. Id. at 683.
458. Id. at 684.
not be made without a \textit{Markman} proceeding\textsuperscript{460} to define the patent's claims. As it explained, in less than convincing fashion:

This argument fails, not because it is an incorrect statement of the law regarding infringement, but because the district court was never charged with determining the validity of the patents. Rather, it was evaluating and weighing the patent[s] as evidence of functionality.\textsuperscript{461}

A presumption of trade dress validity attaching to a federal registration proved similarly ineffective in a declaratory judgment action brought by a plaintiff accused of infringing the trade dress rights attaching to the configuration of a folding chair.\textsuperscript{462} In invalidating the defendant's registration on functionality grounds, the court applied a multifactored analysis:

The factors suggesting functionality of an item, for which Lanham Act protection should be denied, may include: (1) the existence of a utility patent, expired or unexpired, that involves or describes the functionality of an item's design element; (2) the utilitarian properties of the item's unpatented design elements; (3) advertising of the item that touts the utilitarian advantages of the item's design elements; (4) the dearth of, or difficulty in creating, alternative designs for the item's purpose; (5) the effect of the design feature on an item's quality or cost.\textsuperscript{463}

Record evidence supporting a finding of functionality under this standard included the specification and file wrapper histories of three related utility patents, the inherent utility of the design, "advertisements extolling the utility of [the defendant's] chair as depicted in its registered trademark," and the fact that "there is no other way to engineer or construct a folding chair using the specific functional features that comprise the [defendant's] trade dress and the folding chair depicted in [the defendant's] registered trademark other than to look like the [defendant's] design."\textsuperscript{464}

Still, however, at least some plaintiffs succeeded in demonstrating the nonfunctionality of their trade dresses. For example, the Sixth Circuit upheld a finding of nonfunctionality as a matter of law for the configuration of a motor vehicle based on a

\textsuperscript{461} Fuji Kogyo Co., 461 F.3d at 690.
\textsuperscript{463} Id. at 1011.
\textsuperscript{464} See id. at 1012-16.
design originally ordered by the U.S. military. The court noted that the plaintiffs’ definition of their trade dress swept in “the exterior appearance and styling of the vehicle, which includes the grille, slanted and raised hood, split windshield, rectangular doors, squared edges, etc.” Reviewing this list, the court observed, “[w]e fail to see what function these elements perform.” It also found probative the plaintiffs’ “alter[ation] [of] the height, width, and the length of the [military model] in creating [their] newer models . . . while maintaining the same trade dress as the original military vehicle.” The court therefore concluded, “[t]he military undoubtedly had function in mind when designing the [original model]. However, this does not necessarily mean that the exterior appearance and style was based on function; rather, it was more likely an unrelated afterthought.”

Another opinion applied Ninth Circuit doctrine in rejecting a defense claim that jewelry designs featuring a plumeria flower were not functional in the utilitarian sense:

In evaluating functionality, the Court should consider the following factors: (1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.

Without expressly discussing the record evidence and testimony bearing on these factors, the court ultimately found, “there are numerous ‘standard’ materials and finishing techniques—alone or in combination—which a manufacturer might employ to represent a plumeria flower . . . . [T]he plaintiffs’ use of a particular design gives it only a subjective aesthetic, rather than utilitarian, advantage with consumers”

c. Aesthetic Functionality

After years of making inroads in the Ninth Circuit, the aesthetic functionality doctrine hit an unexpected roadblock. The
occasion for this development was a declaratory judgment action brought by a manufacturer of automobile accessories bearing unlicensed reproductions of the VOLKSWAGEN and AUDI marks.\textsuperscript{472} Although the district court held on the plaintiff’s motion for summary judgment that the plaintiff’s use of the marks was protected under the aesthetic functionality doctrine, the Ninth Circuit reversed. The appellate court introduced its analysis with the observation that “[a]ccepting [the plaintiff’s] position would be the death knell for trademark protection. It would mean that simply because a consumer likes a trademark, or finds it aesthetically pleasing, a competitor could adopt and use the mark on its own products.”\textsuperscript{473} It then elaborated on this point:

The concept of an “aesthetic” function that is nonTrademark-related has enjoyed only limited application. In practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function.

It is difficult to extrapolate from cases involving a true aesthetically functional feature, like a box shape or certain uses of color, to cases involving well-known registered logos and company names, which generally have no function apart from their association with the trademark holder. The present case illustrates the point well, as the use of Volkswagen and Audi’s marks is neither aesthetic nor independent of source identification. That is to say, there is no evidence that consumers buy [the plaintiff’s] products solely because of their “intrinsic” aesthetic appeal. Instead, the alleged function is indistinguishable from and tied to the mark’s source-identifying nature.\textsuperscript{474}

One Ninth Circuit district court applying the new rule in its jurisdiction rejected the argument that images of Marilyn Monroe were aesthetically functional when applied to wine labels.\textsuperscript{475} The test was not, as the defendants maintained, whether the images were an important ingredient in the commercial success of the plaintiff’s goods; rather, the relevant inquiry was whether protection of the images on wine bottles would place the defendants at a significant non-reputational competitive disadvantage. Because the defendants failed to establish that they

\begin{footnotesize}

\textsuperscript{472}. See Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062 (9th Cir. 2006), cert. denied, 127 S. Ct. 1838 (2007).

\textsuperscript{473}. Id. at 1064.

\textsuperscript{474}. Id. at 1073-74.

\textsuperscript{475}. See Nova Wines, Inc. v. Adler Fels Winery LLC, 467 F. Supp. 2d 965 (N.D. Cal. 2006).
\end{footnotesize}
would suffer this type of damage, their claims of aesthetic functionality could not ward off a preliminary injunction.476

The fortunes of the aesthetic functionality doctrine also waned in the Eastern District of Louisiana in a case brought by four universities against the producers of sportswear that featured the universities' color schemes.477 The goods sold by the defendants did not expressly refer to the plaintiffs, but nevertheless featured enough implicit references to identify them, particularly when presented in conjunction with the plaintiffs' colors. On the parties' cross motions for summary judgment, the defendants argued that the colors were aesthetically functional because consumers purchased goods bearing them to display their allegiance to the plaintiffs. The court was unmoved and granted summary judgment in the plaintiffs' favor:

As defendants admit, consumers purchase shirts of the universities' color schemes, logos, and designs in order to show support for the particular university; there is no consumer demand without these identifying characteristics. They have no demonstrated value other than their significance to identify with the universities. Accordingly, the court concludes that plaintiffs have demonstrated that their school color schemes, logos, and designs are not functional.478

As under the Ninth Circuit opinion, a plaintiff's trademark therefore does not become aesthetically functional just because the mark’s affixation to competitive goods will result in greater sales of those goods.

Another plaintiff university in the Fifth Circuit fared similarly well in fending off an aesthetic functionality challenge to its verbal marks and stylized mascot designs.479 The defendant had once been a licensee of the plaintiff and, once terminated for failure to pay royalties, began to sell unauthorized merchandise bearing the plaintiff's marks. On the parties' cross-motions for summary judgment, the court observed, “[the defendant] has produced no evidence that the use of the [plaintiff university's] color scheme could affect the cost or the quality of the products or are the reason the products work.”480 Accordingly, the court held that the colors were nonfunctional as a matter of law.

476. Id. at 978.
478. Id. at 662.
480. Id. at 520.
B. Establishing Liability

1. Proving Use in Commerce by Defendants

As has increasingly been the case in recent years, the issue of whether defendants’ actions constituted uses in commerce within the meaning of Sections 32 or 43(a) rose to the fore, and the same question is likely to emerge in federal dilution actions as well. Prior to the passage of the Trademark Dilution Revision Act of 2006 (“TDRA”), Section 43(c)(4) required a plaintiff proceeding under federal dilution law to demonstrate that a defendant was making “commercial use in commerce” of the challenged term. The revised Section 43(c) alters this requirement slightly, requiring that the defendant make a “use in commerce,” and also incorporating an “exclusion” that “noncommercial use” “shall not be actionable under this section.” The TDRA is silent on which party bears the burden as to this “exclusion” from liability, although one Fourth Circuit opinion suggested that another exclusion was a “defense,” thus raising the possibility that the issue is one that must be addressed and proven by defendants.

   a. Cases Finding Use in Commerce by Defendants

In a representative case finding an actionable use in commerce, the defendant purchased sponsored advertising from Internet search engines that was triggered when consumers entered the plaintiff’s mark as a search term. On the parties’ cross-motions for summary judgment, the court concluded that the defendant’s practices indeed constituted “use in commerce.” As the court explained, “[w]hile not a conventional ‘use in commerce,’ defendant nevertheless uses [the defendant’s] mark commercially. Defendant purchases search terms that include the . . . mark to generate its sponsored link advertisement. Based on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce.”

481. See, e.g., Official Pillowtex LLC v. Hollander Home Fashions Corp., 479 F. Supp. 2d 744, 755-56 (S.D. Ohio 2007) (holding on motion to dismiss that the plaintiff had sufficiently alleged the defendant’s actions “could have a substantial effect on interstate commerce”).
484. Id. § 1125(c)(1).
485. Id. § 1125(c)(4)(B).
486. See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 256 (4th Cir. 2007) (referring to “fair use defense” of the revised Section 43(c)).
488. Id. at 1042 (citation omitted).
The same result transpired in a case in which a Third Circuit district court was forced to address the same issue without the benefit of controlling authority from its reviewing court.\textsuperscript{489} The court declined to enter summary judgment of nonliability for two reasons:

First, the alleged purchase of the keyword was a commercial transaction that occurred “in commerce,” trading on the value of Plaintiff’s mark. Second, Defendants’ alleged use was both “in commerce” and “in connection with any goods or services” in that Plaintiff’s mark was allegedly used to trigger commercial advertising which included a link to Defendants’ . . . retailing website. Therefore, not only was the alleged use of Plaintiff’s mark tied to the promotion of Defendants’ goods and retail services, but the mark was used to provide a computer user with direct access (i.e., a link) to Defendants’ website through which the user could make . . . purchases.\textsuperscript{490}

Another Third Circuit district court faced a closely related issue, namely, whether the sale (as opposed to the purchase) of advertising under these circumstances constituted a use in commerce.\textsuperscript{491} The court answered this question in the affirmative and as a matter of law:

Here, [the defendant search engine] makes trademark use of the [plaintiff’s] marks in three ways. First, by accepting bids from those competitors [of the plaintiff] desiring to pay for prominence in the search results, [the defendant] trades on the value of the marks. Second, by ranking its paid advertisers before any “natural” listings in a search results list, [the defendant] has injected itself into the marketplace, acting as a conduit to steer potential customers away from [the plaintiff] to [the plaintiff’s] competitors. Finally, . . .[the defendant] identifies those of [the plaintiff’s] marks which are effective search terms and markets them to [the plaintiff’s] competitors. Presumably, the more money advertisers bid and the more frequently advertisers include [the plaintiff’s] trademarks among their selected search terms, the more advertising income [the defendant] is likely to gain.\textsuperscript{492}

The Sixth Circuit also got into the act by rejecting claims by a defendant that his online activities did not rise to the level of use

\textsuperscript{490} Id. at 323.
\textsuperscript{492} Id. at 285 (footnote omitted).
The defendant had registered a domain name corresponding to one of the plaintiff’s trademarks and briefly sold branded merchandise at the corresponding website. Although that initiative failed, the defendant sold advertising on the site and continued to do so even after the plaintiff filed suit against him. On these facts, the appellate court upheld a finding by the district court that the defendant had engaged in the required use in commerce:

[D]eepen if [the defendant’s] intent was in fact non-commercial (which it does not appear to be), the issue is whether his actions had a commercial effect... Even “minimal” advertisements constitute use of the owner’s trademark in connection with the advertising of the goods, which the Lanham Act proscribes... In addition, entirely separate from the merchandise, [the defendant’s website] made advertising space available to sponsors. Thus, he was attempting to directly profit from [the plaintiff’s] good will.

Not all findings that defendants had engaged in uses in commerce came in Internet-related disputes. Cases involving cigarettes bearing allegedly counterfeit marks adopted particularly lenient tests on the subject. For example, a Sixth Circuit district court found that a defendant’s activities had the “substantial economic effect on interstate commerce” that the court held was required in actions under Section 43(a). The court previously had found that the defendant had sold “one to three packs” of cigarettes bearing counterfeit marks to its own employees and this finding was enough to render the defendant liable for unfair competition:

[T]he sale of any counterfeit cigarettes hinders Plaintiff’s ability to conduct interstate cigarette sales and thus, it affects interstate commerce. And, since counterfeit products were being offered for sale... in direct competition with Plaintiff’s authentic cigarettes, there can be no dispute of fact that the counterfeit cigarettes had an economic effect on interstate commerce.

493. See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
494. Id. at 547.
495. See, e.g., Philip Morris USA, Inc. v. Lee, 481 F. Supp. 2d 735, 748 (W.D. Tex. 2006) (denying motion to dismiss on ground that “the act of purchasing the cigarettes was itself a significant act of commerce, even without their subsequent resale”).
497. Id. at 832.
Another case also not involving the Internet applied a similarly forgiving standard. The plaintiffs were restaurant owners who had been targeted by a non-profit group purporting to educate consumers on job conditions in the industry. To accomplish its goal, the non-profit group distributed leaflets, the outside of which featured the plaintiffs’ logo, but the inside of which contained commentary critical of the plaintiffs’ operations. On the plaintiff’s motion for preliminary injunction, the court held that the defendants’ use of the plaintiff’s logo was an actionable use in commerce. Rejecting the defendants’ argument that they had engaged in merely expressive conduct, the court held:

Such activities would generally be considered a public service in the normal sense of those words. Similarly, defendants’ activities qualify as “services” as defined by the Lanham Act.

... [D]efendants’ lack of profit motivation does not place their activities beyond the scope of the Lanham Act’s definition of “services.” Plaintiffs’ marks are clearly displayed on the front of the pamphlets distributed by defendants, and the distribution of those educational leaflets is a service under the Lanham Act. Accordingly, defendants’ use of plaintiffs’ marks is in connection with services as defined by the Act.

b. Cases Declining to Find Use in Commerce by Defendants

Notwithstanding a clear trend in favor of plaintiffs, Second Circuit courts continued to adopt a restrictive test for use in commerce, especially in the Internet context. Thus, a district court in that jurisdiction granted a motion to dismiss an action brought by a plaintiff to challenge an Internet search company’s practice of allowing competitors of the plaintiff to bid on the plaintiff’s trademark as a keyword, or trigger, for the competitors’ advertising. Acknowledging case law from other jurisdictions holding the practice actionable, the court nevertheless held that the plaintiff had failed to state a claim upon which relief could be granted:

499. Id. at 287-88.
500. See, e.g., Fragrancenet.com, Inc. v. FragranceX.com, Inc., 493 F. Supp. 2d 545 (E.D.N.Y. 2007) (denying plaintiff’s motion to amend complaint to add Lanham Act-based challenges to defendant’s use of metatags featuring plaintiff’s mark and purchase from Internet search engine of plaintiff’s mark as trigger for online advertising).
Unlike typing in a trademark as a domain name, which leads directly to a website, typing a trademark into defendant's search engine leads to a page showing sponsored links and relevant search results, including a link to plaintiff's website. More importantly, there is no allegation that any of the links among the search results, except those belonging to plaintiff, display plaintiff's trademark or that defendant's activities effect [sic] the appearance or functionality of plaintiff's website.502

For the same reasons, the court was unsympathetic to the plaintiff's argument that the defendant's practices had affected interstate commerce because they altered the results of searches for the plaintiff's website.503 Finally, “in the absence of allegations that defendant placed plaintiff’s trademark on any goods, displays, containers, or advertisements, or used plaintiff’s trademark in any way that indicates source or origin, plaintiff can prove no facts in support of its claim which would demonstrate trademark use.”504

In an equally aggressive application of the statutory use-in-commerce-by-defendants requirement, another Second Circuit district court held that the sale of refurbished watches that had been marketed without full disclosure of the changes made to them by the defendants did not rise to the level of an actionable use in commerce.505 The court explained that:

[A] repair for an owner’s personal use would not fall within the scope of the Lanham Act because such repairs do not trade upon the goodwill of a trademark holder. If, on the other hand, a repair or modification [to a watch] still bearing the original manufacturer’s trademark is so extensive as to become a different product, that modification trades on the goodwill of, or association with, the trademark holder and is a “use in commerce.”506

Applying this standard to the watch at issue, the court found that the modifications were insufficiently extensive as to render the continued appearance of the plaintiff’s mark an infringing use.507 Accordingly, the court declined to reach a finding of liability for infringement despite an earlier finding that “[the plaintiff] has

502. Id. at 401 (internal quotation marks omitted).
503. Id. at 402 (citations omitted).
504. Id. at 403.
506. Id. at 184.
507. See id. at 184-85.
established that “someone viewing the modified watch is likely to be confused as to its origin.”

Disputes over the extent to which defendants used challenged marks in commerce also arose in the context of dilution actions. The original language of Section 43(c)(4) often was an obstacle to plaintiffs, and its successor statute may prove to be the same. In one case interpreting the new language, the defendant was a Wisconsin resident running for county sheriff. To increase his appeal among voters, he legally changed his name to Andy Griffith, a move that triggered an infringement suit by the actor of that name. Granting the defendant’s motion for summary judgment, the court held that:

Defendant’s speech was not commercial. The use of the Andy Griffith name was not to propose a commercial transaction but to seek elective office, [which is] fundamental First Amendment protected speech. Not only was the speech not purely commercial, it was entirely non-commercial as it did not propose any commercial transactions. To the extent that defendant sought campaign contributions, any such solicitations were ancillary to his political campaign and protected speech.

2. Likelihood of Confusion
a. Factors Considered

(1) The First Circuit

There were few reported decisions from the First Circuit addressing the likelihood of confusion between particular marks. When the issue did arise, it was resolved through reference to: (1) the similarity of the parties’ marks; (2) the similarity of the parties’ goods; (3) the relationship between the parties’ channels of trade; (4) the relationship between the parties’ advertising; (5) the classes of prospective purchasers; (6) any evidence of actual

508. Id. at 184.
509. For an example of a pre-TDRA opinion dismissing a plaintiff’s dilution-based claim to the sale of trademarks as keywords for sponsored advertising for failure to establish the commercial use in commerce required under then-extant law, see Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 403-04 (N.D.N.Y. 2006); see also SMJ Group, Inc. v. 417 Lafayette Rest. LLC, 439 F. Supp. 2d 281 (S.D.N.Y. 2006) (holding that defendants’ distribution of leaflets bearing the plaintiffs’ marks was not a commercial use in commerce, despite earlier finding of use in commerce for purposes of plaintiffs’ infringement claims).
510. See Griffith v. Fenrick, 486 F. Supp. 2d 848 (W.D. Wis. 2007).
511. Id. at 853.
confusion; (7) the defendant’s intent in adopting its mark; and (8) the strength of the plaintiff’s mark.512

(2) The Second Circuit

The Polaroid test513 continued to hold sway in the Second Circuit, with courts there examining: (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the marks; (3) the proximity of the products or services; (4) the likelihood that the senior user will “bridge the gap” into the junior user’s product/service line; (5) any evidence of actual confusion between the marks; (6) whether the defendant adopted the mark in good faith; (7) the quality of defendant’s products or services; and (8) the sophistication of the parties’ customers.514 One Second Circuit district court explained of the test that:

In balancing the Polaroid factors, courts generally should not treat any single factor as dispositive; nor should a court treat the inquiry as a mechanical process by which the party with the greatest number of factors wins. Instead, the court should focus on the ultimate question of whether consumers are likely to be confused.515

(3) The Third Circuit

The Third Circuit’s Lapp test for likely confusion516 continued to mandate consideration of: (1) the degree of similarity between the parties’ marks; (2) the strength of the plaintiff’s mark; (3) the price of the goods or services and other factors indicative of consumers’ care and attention when making a purchase; (4) the length of time of the defendant’s use of its mark without actual confusion; (5) the defendant’s intent when adopting its mark; (6)

any evidence of actual confusion; (7) whether the goods or services, if not competitive, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties’ sales efforts are the same; (9) the relationship of the goods or services in the minds of consumers because of the similarity of function; and (10) other facts suggesting that the consuming public might expect the prior owner to expand into the defendant’s market.\(^{517}\) One Third Circuit district court explained, “No single Lapp factor is determinative in a likelihood of confusion analysis, and each factor must be weighed and balanced against the others.”\(^{518}\)

### (4) The Fourth Circuit

The Fourth Circuit’s *Pizzeria Uno* test for liability\(^{519}\) remained unchanged, with courts there examining: (1) the strength or distinctiveness of the plaintiff’s mark; (2) the similarity of the parties’ marks; (3) the similarity of the parties’ goods or services; (4) the similarity of the parties’ facilities or retail outlets; (5) the similarity of the parties’ advertising; (6) the defendant’s intent; and (7) the existence of any actual confusion.\(^{520}\)

### (5) The Fifth Circuit

Fifth Circuit courts maintained their commitment to a seven factor test that mandated consideration of the following nonexclusive factors: (1) the type of mark allegedly infringed; (2) the similarity between the parties’ marks; (3) the similarity between the parties’ goods or services; (4) the identity of the retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant’s intent; and (7) any evidence of actual confusion.\(^{521}\) One Fifth Circuit district court explained, “[i]t is not


\(^{518}\) *Sanofi-Aventis*, 453 F. Supp. 2d at 848.

\(^{519}\) See *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984).


necessary for the court to positively find a majority of the digits in order to find that a trademark infringement has occurred. Justice requires that the court look at all relevant factors, even those not enumerated in the digits of [likely] confusion.”

(6) The Sixth Circuit

The relevant factors for consideration in Sixth Circuit likelihood of confusion determinations remained the same, and included: (1) the strength of the plaintiff’s mark; (2) the relatedness of the parties’ goods; (3) the similarity of the marks; (4) evidence of actual confusion; (5) the marketing channels used; (6) the likely degree of purchaser care; (7) the defendant’s intent in selecting the challenged mark; and (8) the likelihood of expansion of the parties’ product lines. One panel of the court held that it is error for a district court to fail to consider each of the factors.

(7) The Seventh Circuit

The test for determining likelihood of confusion in the Seventh Circuit continued to mandate consideration of: (1) the degree of similarity between the parties’ marks in appearance and suggestion; (2) the similarity of the products on which the marks are used; (3) the area and manner of concurrent use by the parties of their respective marks; (4) the degree of care likely to be exercised by consumers; (5) the strength of the plaintiff’s mark; (6) any evidence of actual confusion; and (7) any evidence of the defendant’s intent to palm off its products as those of the plaintiff.

(8) The Eighth Circuit

The test for likely confusion remained unchanged in the Eighth Circuit over the past year, and included consideration of: (1) the strength of the plaintiff’s mark; (2) the similarity of the


524. See Gen. Motors, 468 F.3d at 413.

parties’ marks; (3) the degree to which the parties’ products competed with each other; (4) the alleged infringer’s intent to “pass off” its goods as those of the plaintiff; (5) incidents of actual confusion; and (6) the conditions under which the parties’ products are purchased.526

(9) The Ninth Circuit

In infringement and unfair competition cases, Ninth Circuit courts identified the following factors as relevant to the likelihood of confusion analysis: (1) the strength of the plaintiff’s mark; (2) the relatedness of the parties’ goods; (3) the similarity of the parties’ marks; (4) any evidence of actual confusion; (5) the marketing channels used by the parties; (6) the degree of care consumers are likely to exercise when making purchases; (7) the intent of the defendant in selecting its mark; and (8) the likelihood that the parties will expand their product lines.527 One district court denying a defense motion for summary judgment held that a plaintiff is not required to address each of these factors seriatim if its pleadings otherwise identify the basis of its prima facie case.528

(10) The Tenth Circuit

Likelihood of confusion determinations by courts within the Tenth Circuit were few and far between during the past year. When those determinations did occur, however, they turned on consideration two separate tests. The first took into account: (1) the degree of similarity between the marks; (2) the intent of the alleged infringer; (3) the evidence of actual confusion; (4) the similarity of products and manner of marketing; (5) the degree of care likely to be exercised by purchasers; and (6) the strength or


528. See Bach, 473 F. Supp. 2d at 1126.
weakness of the marks. The second test considered: (1) the degree of similarity between the marks in appearance, pronunciation, and verbal translation of the pictures and designs involved; (2) the intent of the junior user in adopting its mark; (3) the relation in use and manner of marketing between the goods or services marketed by the junior user and those marketed by the senior user; and (4) the degree of care likely to be exercised by consumers. Courts applying each test concurred that “no one factor is determinative, and . . . the list is not exhaustive.”

(11) The Eleventh Circuit

Courts in the Eleventh Circuit continued to apply a seven factor test for likely confusion, taking into account: (1) the strength of the plaintiff’s mark; (2) the similarity of the parties’ marks; (3) the similarity of the parties’ goods; (4) the similarity of the parties’ retail outlets and purchasers; (5) the similarity of the parties’ advertising media; (6) the defendant’s intent; and (7) the extent of any actual confusion.

(12) The District of Columbia Circuit

A relatively rare reported federal court opinion from the District of Columbia addressing the likelihood of confusion between two marks noted the reliance by courts within the D.C. Circuit on the following factors: (1) the strength of the plaintiff’s marks; (2) the degree of similarity between the two marks; (3) the proximity of the parties’ products; (4) any evidence of actual confusion; (5) the defendant’s purpose or reciprocal good faith; (6) the quality of the defendant’s product; and (7) buyer sophistication.

531. Id.; see also John Allan Co., 505 F. Supp. 2d at 993 (factors are “nonexhaustive”).
b. Findings

(1) Likelihood of Confusion: Preliminary Relief

Some motions for preliminary injunctive relief led to relatively easy findings of likely confusion, especially in cases in which the defendants were formerly affiliated with the plaintiffs. For example, when the former United States distributor of professional laundry equipment produced by the Swedish plaintiff began using marks virtually identical to those on the plaintiff’s equipment, the plaintiff predictably filed suit and sought preliminary injunctive relief. The court just as predictably found “[i]t cannot seriously be contested that defendants’ use of the [marks] on professional laundry equipment manufactured by parties other than [the plaintiff] will cause confusion. Indeed, defendants do not dispute this, at least with any degree of seriousness.” This led the court to enter a preliminary injunction after consideration of only three likelihood of confusion factors, which were that the plaintiff’s marks were “quite strong;” the parties’ marks when compared were closely similar, if not identical, and “[t]he products . . . [were] identical.”

The status of defendants as former distributors similarly led to preliminary injunctive relief in an action arising in the pet grooming

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534. See, e.g., Nw. Airlines, Inc. v. Bauer, 467 F. Supp. 2d 957, 962-64 (D.N.D. 2006) (entering temporary restraining order against defendant’s resale of electronic coupons at www.northwestdiscountcoupons.com based on likelihood of confusion with plaintiff’s federally registered NORTHWEST marks for airline services); SMJ Group, Inc. v. 417 Lafayette Rest. LLC, 439 F. Supp. 2d 281, 288 (S.D.N.Y. 2006) (finding a likelihood of confusion created by defendants’ use of plaintiffs’ marks to criticize plaintiffs on ground that “application of the [likelihood of confusion] factors is unnecessary and unhelpful, because the parties essentially agree that there is confusion”).


537. Id. at 332.

538. Id.
field. Although they had been terminated as distributors by the plaintiff owner of the PET SILK mark, the defendants continued to maintain websites accessible at the www.petsilkonline.com, www.mjm-petsilk.com, and www.petsilkonline.com. The websites themselves offered the plaintiff’s products for sale and prominently displayed the plaintiff’s mark, although they also featured a less conspicuous disclaimer advising visitors that the plaintiff's products were not actually available from the defendants. Particularly in light of record testimony of actual confusion among consumers and other parties seeking to become distributors of the plaintiff, the court held the plaintiff had demonstrated a likelihood of confusion without apparent reference to any likelihood of confusion factors.

In another case with a virtually preordained holding, a set of defendants affixing images of Marilyn Monroe to bottles of their wine were predictably sued by a plaintiff that had used “strikingly similar” images on its bottles for years prior to the defendants’ use. With all the relevant considerations other than actual confusion and intent lining up in the plaintiff’s favor, the defendants advanced the strained argument that federal law required the parties to place their respective images on the “back” labels of their bottles, where they presumably wouldn't be seen by consumers when the bottles were shelved with only their “front” labels showing. Characterizing this argument as “absurd” and “outrageous,” the court observed, “no wine retailer that this court is aware of, no matter how large or how small, shelves its wine bottles with the artwork facing the wall.” A preliminary injunction followed as a matter of course.

Another opinion entering interlocutory relief had its origins in a dispute between an estranged husband and wife team. Although they had both apparently participated in the founding of a mortgage company, only the wife was listed as an officer and director of the company in its public filings. The husband, however, regularly appeared in the company’s advertisements and radio commercials, some of which identified him as the company’s “founder and chief.” When the husband and wife’s relationship soured, the mortgage company fired the husband as its spokesperson, leading him to engage in his own promotional activities, which continued to refer to him as the company’s

540. See id. at 828-30.
542. Id. at 981.
“founder and chief.” In part because of favorable survey evidence, the court entered a preliminary injunction against the husband’s use of the company’s name in this manner.544

Of course, not all interlocutory findings of likely confusion were between formerly affiliated parties. When the defendant in one case rolled out the ADVANTUS mark for health care plans, it found itself faced with a suit by the owners of the same mark for various financial goods and services.545 As characterized by the court, the defendant “placed its bet . . . [a]nd it loses” on the alleged absence of direct competition between the parties.546 Rather than finding the parties’ services distinguishable, the court concluded, “[a] person purchasing health care coverage may very well believe the Advantus product he or she chooses was assembled under the aegis of plaintiff’s well-known Advantus financial business.”547 Because participants in the defendant’s plans would be exposed to the defendant’s mark, the court was equally unswayed by the argument that the plans’ purchasers were sufficiently sophisticated that they were immune to confusion.548 Finally, the court noted, the defendant assiduously avoided any representations that it would not expand its current offerings in the future.549 Under these circumstances, preliminary relief was appropriate, despite the absence of any actual confusion.550

(2) Likelihood of Confusion: As a Matter of Law

The relatively high burden faced by a plaintiff pursuing a judgment of infringement as a matter of law proved not to be an insurmountable obstacle in several cases,551 especially where there was evidence of actual confusion. For example, the Sixth Circuit affirmed entry of summary judgment in favor of the owner of the AUDI trademark and associated logos for automobiles and certain collateral goods based in part on a single instance of actual confusion.552 The defendant had established a website accessible through www.audisport.com, at which he originally sold

544. See id. at 1532-33.
546. Id. at 1745.
547. Id. at 1745-46.
548. See id. at 1746.
549. See id.
550. See id. at 1746-47, 1748.
551. For example of findings of liability in an action in which the defendants failed to respond to the complaint, see U2 Home Entm’t, Inc. v. Fu Shun Wang, 482 F. Supp. 2d 314 (E.D.N.Y. 2007); Agri-Supply Co. v. agrisupply.com, 457 F. Supp. 2d 669 (E.D. Va. 2006).
552. See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
automotive-related goods bearing the AUDI SPORT mark. Although he discontinued sales of these products upon receiving a challenge from the plaintiff, he continued to sell advertising space on the site. Concluding that each of the relevant likelihood of confusion factors favored a finding of liability as a matter of law, the appellate court noted that the contractor hired by the defendant to develop his website had inquired whether he was authorized by the plaintiff to use the AUDI SPORT mark. Of this, the appellate court observed, “[i]f [the contractor], an experienced graphic designer, was confused by the relationship between Audi and [the defendant’s] business, then a consumer would be more likely to be confused.”553

If a single instance of actual confusion is probative of likely confusion, two instances can only be more so. One plaintiff seeking to protect its CONVERSIVE and CONVERSIVE AGENT marks against a competitor’s use of CONVERSAGENT was able to rely upon testimony by its employees of two instances of actual confusion among sophisticated consumers.554 Rejecting the defendant’s efforts to characterize the plaintiff’s showing as inadmissible hearsay, the court distinguished cases proffered by the defendant with the explanation, “[a]lthough concluding that evidence similar to that offered here was inadmissible, none of the these cases discuss the issue of whether the statements are offered for their truth or whether the state-of-mind exception to the hearsay rule applies.”555 Moreover, with respect to what appeared to be a modest number of instances of actual confusion, the court held, “[g]iven that the [plaintiff’s] product appeals to [an] extremely limited market . . ., two instances of actual confusion are very significant.”556 The parties’ use of the same marketing channels and the defendant’s knowledge of the plaintiff’s mark before beginning the use of its own were further grist for the court’s mill.557

Three instances of actual confusion made the grade in a dispute between a university and a former licensee of the university’s marks.558 Having been terminated from the plaintiff’s licensing program for failure to pay royalties, the defendant undertook the sale of goods bearing unauthorized imitations of the plaintiff’s marks and color scheme. According weight to “summary judgment evidence that at least three customers expressed actual

553. Id. at 543.
555. Id. at 1292.
556. Id.
557. See id.
confusion as to whether [the plaintiff] had licensed [the defendant’s] unlicensed products,"559 the court was also swayed by record evidence and testimony of the fame of the plaintiff’s marks, the “great similarity” between the parties’ presentations of their respective designs, the “similar[ity] in every respect” of the parties’ goods, the similarity of the retail outlets through which those goods were sold, the identity of the parties’ advertising media, and the defendant’s bad faith intent.560 As to the last of these considerations, the court accepted the plaintiff’s evidence that “the defendant] knowingly placed tags on unlicensed products which indicated that the products were ‘Officially Licensed.’”561 Finding that each of the relevant likelihood of confusion factors weighed in the plaintiff’s favor, the court entered summary judgment of liability.562

Evidence of actual confusion came into play in another case as well, although one in which the outcome would not otherwise have been reasonably in doubt.563 The plaintiff was a law firm operating under the SUISMAN, SHAPIRO, WOOL, BRENNAN, GRAY & GREENBERG mark, which the court found was frequently abbreviated to SUISMAN, SHAPIRO by both the firm and the local legal community. The lead defendants were two former partners in the firm (and sons of its founders) named Suisman and Shapiro, who ill-advisedly opened up their own firm under the SUISMAN & SHAPIRO mark. Not surprisingly, this led to misdirected phone calls, which the court concluded weighed in the plaintiff’s favor. Although the court was willing to give the defendants the benefit of the doubt where their intent was concerned, it noted, “this is not a close case in which a finding of good faith on the part of the defendant is likely to ‘tip the balance’ in considering all of the [relevant likelihood of confusion] factors together.”564 Moreover, and in contradiction to the defendant’s claim that purchasers of legal services were sophisticated and therefore unlikely to be confused, “the undisputed evidence suggests that the relevant consumer group of the plaintiff firm’s services contain a large number of unsophisticated purchasers of legal services.”565 Accordingly, “a reasonable fact finder could reach no conclusion other than that a likelihood of consumer confusion

559. Id. at 523.
560. See id. at 521-23.
561. Id. at 522.
562. See id. at 523.
564. Id. at 1081.
565. Id.
exists under the Lanham Act with regards to the parties’ marks.”

Summary judgment of liability under the corresponding Connecticut state law causes of action asserted by the plaintiff followed as a matter of course.

Holding that “‘[e]vidence that use of two marks has already led to confusion is persuasive proof that future confusion is likely,’” yet another court relied on just such evidence in ruling in the plaintiff’s favor as a matter of law. The plaintiff’s showing included declaration testimony “of various individuals who were allegedly confused along with a survey indicating that one-third of participants believed that Defendants’ [goods] were authorized or sponsored by [the plaintiff].” Ultimately, however, actual confusion might well have been unnecessary in light of the parties’ use of the identical mark—WHAT HAPPENS IN VEGAS STAYS IN VEGAS—at least in connection with clothing. That the parties advertised through different media and that the record was inconclusive on the degree of care exercised by consumers, the defendant’s intent, and the likelihood of the parties expanding their product lines did not create a justiciable question of fact as to the defendants’ liability.

A finding of unspecified actual confusion similarly led to liability as a matter of law in a case in which the lead defendant had sold a business that operated under his family surname. When the plaintiff purchaser announced its intent to phase out the mark’s use in favor of its own brand, the lead defendant’s daughter launched a competitive business under a mark substantially identical to that formerly owned by her father. Not content to stop there, the new business used a slogan identical to one used by the plaintiff, developed a similar color scheme for its delivery trucks and in its advertising, and hired away the plaintiff’s employees. That the daughter had adopted her husband’s last name rather than continuing to use the family surname was evidence of her bad faith in resuming the surname’s use in connection with her new business. The court therefore entered summary judgment in favor of the plaintiff.

These holdings notwithstanding, actual confusion is no more necessary to a finding of likelihood of confusion as a matter of law than it is for a finding of liability after trial. The leading opinion to

566. Id.
567. See id. at 1082-84.
569. Id. at 1153.
570. See id. at 1151-57.
572. See id. at 1105.
make this point over the past year came from the Ninth Circuit, which held in an “easy” case that confusion was likely as a matter of law despite the absence of record evidence of actual confusion.\textsuperscript{573} The declaratory judgment plaintiff was a purveyor of automobile accessories that had affixed marks owned by two automobile manufacturers to its goods. Reversing the district court’s entry of summary judgment in the declaratory judgment plaintiff’s favor, the Ninth Circuit concluded that infringement had occurred. With all of the relevant likelihood of confusion factors lining up in support of the defendants’ counterclaim, the appellate court took issue with the plaintiff’s argument that the lack of actual confusion precluded a finding of liability as a matter of law, “[i]n this case, which involves a national market and a low degree of consumer care, nothing suggests that the lack of evidence of confusion should be particularly noteworthy.”\textsuperscript{574} Moreover, to the extent that the plaintiff sought to attribute the apparent absence of actual confusion to disclaimers affixed to its packaging, its failure to demonstrate the disclaimers’ effectiveness left the factor “in equipoise” and therefore not an obstacle to the success of the defendants’ counterclaims.\textsuperscript{575}

A Minnesota-based law firm and two of its partners likewise overcame an absence of convincing evidence of actual confusion in securing summary judgment against a group of defendants who had registered variations on the names of the firm and the partners as part of various Internet domain names.\textsuperscript{576} The lead defendant, an anti-abortion activist, had established websites accessible through the domain names that featured graphic images and metatags consisting of material copied from the plaintiff law firm’s website, as well as false suggestions that partners at the law firm supported the defendants’ cause. The plaintiffs submitted two employee declarations describing a client and a potential employee of the firm who had mistakenly accessed the defendants’ websites while searching for the website of the law firm. Discounting this testimony, the court held, “[t]he declarations raise a significant hearsay issue because they merely repeat . . . statements [the firm’s] employees heard over the telephone from anonymous sources.”\textsuperscript{577} Nevertheless, because “failure to meet this factor is not dispositive of a finding of likelihood of confusion,”\textsuperscript{578} and because

\begin{footnotes}
\item[573.] See Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062 (9th Cir. 2006), cert. denied, 127 S. Ct. 1838 (2007).
\item[574.] Id. at 1077.
\item[575.] See id. at 1077-78.
\item[577.] Id. at 1016.
\item[578.] Id. at 1017.
\end{footnotes}
the remaining factors weighed in the plaintiffs’ favor, the risk of initial interest confusion merited a finding of liability as a matter of law.\textsuperscript{579}

The Sixth Circuit also affirmed a finding of likely confusion as a matter of law even without a showing of actual confusion.\textsuperscript{580} The plaintiffs manufactured and sold the HUMMER automobile, the registered grille design of which the plaintiff alleged had been unlawfully copied by the defendant’s toy automobiles. Faulting the district court for having failed to examine all of the relevant likelihood of confusion factors, the appellate court nevertheless upheld the lower court’s ultimate conclusion that the plaintiffs were entitled to prevail without the need for a trial. Chief among the considerations underlying this holding were the close similarity of the parties’ designs, the strength of the plaintiffs’ mark, evidence of the defendant’s intentional copying of the design, and the low degree of care exercised by the children targeted by the defendant’s toys. Although questioning the plaintiffs’ proffered evidence of actual confusion, the court still found their showing sufficiently convincing that it upheld summary judgment in their favor.\textsuperscript{581}

Evidence of actual confusion proved similarly unnecessary for a finding of infringement as a matter of law in a case in which four universities challenged the use of their school colors on sportswear produced by the defendants.\textsuperscript{582} In an attempt to escape liability, the defendants did not incorporate any express references to the plaintiffs into their goods. They also mounted a fierce challenge to the plaintiffs’ introduction of survey evidence of actual confusion. Nevertheless, the court had little difficulty entering summary judgment in the plaintiffs’ favor, even in the absence of use by the defendants of the plaintiffs’ word marks or consideration of the survey results.\textsuperscript{583} In particular, it found that the strength of the plaintiffs’ color schemes, the near identity of the defendants’ imitations of the schemes, an identity of retail outlets and consumers targeted by the parties, and the defendants’ deliberate imitation of the plaintiffs’ colors weighed in favor of liability.\textsuperscript{584}

A final opinion entering summary judgment of liability addressed the significance of actual confusion in a manner

\textsuperscript{579} See id. at 1015-17.


\textsuperscript{581} See id. at 413-14.

\textsuperscript{582} See Bd. of Supervisors v. Smack Apparel Co., 438 F. Supp. 2d 653 (E.D. La. 2006).

\textsuperscript{583} See id. at 655-656.

\textsuperscript{584} See id. at 659-61.
suggesting that the court was not quite clear on the concept. The goods sold by the defendants were found to bear counterfeit marks, arguably rendering a full-blown likelihood of confusion-based infringement analysis moot. The court nevertheless plowed ahead, concluding of the actual confusion factor, “[i]n the instant case, the similarity between the genuine and counterfeit products, plus the relatedness of the product[s], create a high likelihood of confusion. Thus, the Court find[s] that this factor favors Plaintiff.” Whether this finding of actual confusion despite the absence of any apparent record evidence of it ultimately mattered, however, is doubtful in light of the otherwise overwhelming factual record in favor of liability.

(3) Likelihood of Confusion: After Trial

Some findings of liability were so predictable that it was unclear how they had reached a trial on the merits in the first instance. One example of a case falling into this category produced a bench finding that confusion was likely between the plaintiff's registered DE BEER mark, used in connection with retail jewelry store services, and the defendants’ DEBEERS DIAMOND SYNDICATE mark, used in connection with unmounted diamonds. Although the modest nature of the defendants’ use of their mark left “few contextual clues on which to rely in assessing the marks’ similarity as they are used in the marketplace,” all relevant likelihood of confusion factors on which there was record evidence favored a finding of liability except for the sophistication of the parties’ customers.

In another case involving closely similar marks, the Fourth Circuit affirmed a finding that the mark THE WINDSHIELD DOCTOR for windshield repair services infringed the plaintiff's GLASS DOCTOR mark, which was registered for the “installation

586. Id. at 829.
587. See, e.g., JCW Invs., Inc. v. Novelty, Inc., 482 F.3d 910 (7th Cir.) (noting, but not addressing on appeal, prior jury finding of likely confusion between parties' uses of PULL MY FINGER mark with competing novelty dolls featuring both flatulence and scatological recorded jokes), later proceedings, No. 05-2498, 2007 WL 4179390 (7th Cir. Nov 28, 2007); Burgess v. Gilman, 475 F. Supp. 2d 1051 (D. Nev. 2007) (finding, without extensive discussion of record, that confusion likely to result from parties' concurrent use of MUSTANG RANCH for brothel services); Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072 (C.D. Cal. 2007) (finding confusion likely between competing jewelry pieces featuring plumeria flower designs, in part in light of evidence and testimony of actual confusion).
589. See id. at 273-79.
of glass in buildings and vehicles.”590 Challenging a bench verdict of infringement, the defendants argued in part that the plaintiff’s rights were limited to the scope of the registration covering its mark. In other words, because the defendants were not in the business of installing glass, its glass repair services necessarily did not infringe. In rejecting this argument, the appellate court invoked the likelihood of confusion test and held that “the appropriate reading is not limited to the text of the mark’s registered purpose.”591 It went on to note, “it is apparent that windshield repair and windshield installation are related services. In fact, the parties have stipulated that potential customers have called [the defendant] assuming that her business also installs windshields.”592 Under these circumstances, “the district court did not improperly afford [the plaintiff’s] . . . mark an overly broad scope of protection against [the defendant’s] use of a similar trademark for similar services.”593

Clear evidence of piracy and actual confusion were the tickets to partial success for another plaintiff in a bench trial.594 The plaintiff operated men’s hair salons under the stylized mark JOHN ALLAN’S, A RETURN TO A SIMPLER TIME, and the stylized mark JA, and additionally sold various hair care products in connection with the same marks. Following repeated visits to the plaintiff’s establishments, the defendants began using the stylized mark CRAIG ALLEN’S, A RETURN TO A SIMPLER TIME, and stylized CA for their own salons. The plaintiff offered direct consumer testimony of actual confusion between the parties’ stylized uses of JOHN ALLAN’S and CRAIG ALLEN’S,595 and was equally successful in convincing the court that the defendants had acted in bad faith: “The evidence produced at trial was that defendants had knowledge of plaintiff’s [stylized JOHN ALLAN’S] mark and directed their designer to essentially copy the mark. . . .”596 A finding of liability resulted, despite the defendants’ evidence that “the types of consumers who frequent men’s salons . . . exercise a somewhat high degree of care in selecting a salon for services.”597

Other cases presented closer issues. One such dispute was an action brought by a junior user of the CALVIN KLEIN and

590. See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 166 (4th Cir. 2006).
591. Id. at 173.
592. Id.
593. Id.
595. See id. at 992-93.
596. Id. at 995.
597. Id. at 997.
CALVIN marks for other lines of clothing against a senior user of the CALVIN mark for boys’ tailored apparel. The source of the plaintiff’s ire was the defendant’s expansion of its use of the CALVIN mark from its traditional products into lines more directly competitive with those of the plaintiff. Although the defendant’s overall priority of use might have immunized it from a challenge by the plaintiff, the court found that the defendant had abandoned its rights except as to boys’ tailored apparel. Its latter-day expansion therefore created a likelihood of confusion, as reflected in such considerations as the strength of the plaintiff’s mark, survey evidence of actual confusion, the lower quality of the defendant’s goods, the lack of sophistication of the parties’ consumers, and the emerging overlap of their products. Although the defendant was able to establish to the court’s satisfaction that it had adopted its expansion in good faith, this factor failed to carry the day.

In another case with less of a pre-ordained result, one court somewhat unusually concluded that the coined nature of the parties’ marks, both of which were used in connection with pharmaceutical products, weighed in favor of liability. In comparing the similarity of the marks—AVENTIS and ADVANCIS—the court found, “the marks are similar in meaning. Because [they] are coined terms, there are no dictionary definitions for them and, therefore, they have come to be associated with pharmaceutical companies.” Other factors weighing in favor of liability included similarities in the pronunciation of the marks, the strength of the plaintiffs’ mark, the “concern that confusion regarding medications could have serious consequences for the patient,” evidence that the defendant “was at least negligent” in adopting its mark, similarities in the parties’ marketing channels and sales efforts, and the relatedness of the parties’ goods. Although the defendant was able to point to an absence of actual confusion, the court found this consideration to “weigh[] only slightly in favor of defendant” in light of the limited period of time the plaintiff’s product had been on the market.

Initial interest confusion proved to be the ticket for a bench verdict of liability against a group of defendants who modified

599. See id. at 256-57.
601. Id. at 849.
602. See id. at 847-53.
603. Id. at 852.
watches manufactured by the plaintiffs before reselling them.\footnote{Cartier v. Symbolix, Inc., 454 F. Supp. 2d 175 (S.D.N.Y. 2006).}

One such watch began life as a stainless steel model unadorned by jewels. The defendants’ modifications to the watch, which included the addition of jewels to its case, made it resemble a far more expensive white gold model. The defendants marketed the modified watch without any disclosure of its lower-priced origins, leading the court to find that the defendants had trafficked in a good bearing a counterfeit mark. Independent of that finding, however, the court found that the defendants’ advertising of the watch fell afoul of the initial interest confusion doctrine:

\begin{quote}
[D]efendants’ newspaper advertisements did not disclose that the watch pictured was not an authentic diamond-encrusted \ldots [and more expensive model]. A would-be purchaser reviewing the advertisements would reasonably believe that defendants were offering a genuine \ldots item \[manufactured by the plaintiffs\]. Only when the customer called or visited the store would the customer discover that the watch was counterfeit. Thus, defendants’ use of \[the plaintiff’s mark\] in defendants’ advertising helps defendants gain “crucial credibility during the initial phases of a deal.” To the extent defendants used this credibility to promote the sale of non-genuine diamond-encrusted \ldots watches, this initial interest confusion violated \[the plaintiff’s\] trademark.\footnote{Id. at 185-86 (quoting Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259 (2d Cir. 1987)).}
\end{quote}

One final verdict of likely confusion of note came in a case apparently better suited for a finding of false advertising than infringement.\footnote{See Sunlight Saunas, Inc. v. Sundance Sauna, Inc., 442 F. Supp. 2d 1160 (D. Kan. 2006).} The plaintiff was a purveyor of saunas under the SUNLIGHT trademark, while one of the defendants was a former employee of the plaintiff. Having parted ways with the plaintiff on less than amicable terms, the former employee founded a company to market competitive products under the SUNDANCE mark. To aid sales, the former employee and his company established a website accessible at \texttt{www.sunlightsaunas-exposed.com}. The website featured a heading reading “Sunlight Saunas Lies,” and pointed out perceived inaccuracies in the plaintiff’s advertising. In declining to disturb a jury verdict of infringement, the court did not identify any record evidence or testimony that the defendants actually had affixed the SUNLIGHT mark to their goods. Nevertheless, it concluded that the jury might rationally have relied upon “compelling evidence that \ldots the trade name at issue was precisely the trade name used by \[the plaintiff\],” the
defendants’ malicious intent, and the parties’ use of similar promotional strategies.\(^\text{607}\)

(4) Likelihood of Confusion to be Determined

As always, some courts took the opportunity to defer resolution of the likelihood of confusion inquiry, whether because a lower court had improperly applied the relevant analysis or, alternatively, because conflicts in the record evidence precluded entry of judgment as a matter of law. The leading example of an opinion in the former category came in a case between competing manufacturers of handbags.\(^\text{608}\) The plaintiff sought to protect a set of designs emblazoned on the surface of its bags against the defendant’s use of allegedly similar designs on its bags. In denying a preliminary injunction, the district court had relied heavily on the appearance of the parties’ respective marks. Although applying the deferential abuse of discretion standard, the Second Circuit vacated this determination on the ground that the district court had “inappropriately focus[ed] on the similarity of the marks in a side-by-side comparison instead of when viewed sequentially in the context of the marketplace.”\(^\text{609}\)

The Ninth Circuit similarly invoked errors by a district court in vacating a finding on a preliminary injunction motion that confusion was unlikely between the parties’ marks.\(^\text{610}\) The district court had greatly hindered the plaintiff’s case by holding that the plaintiff was judicially estopped from arguing that its mark was strong, that the parties’ customers were not sophisticated, and that confusion was likely in the post-purchase context. Beyond reversing these determinations as an abuse of discretion,\(^\text{611}\) the appellate court concluded that the district court had additionally erred by concluding that the parties’ stylized moose design marks were distinguishable, when, in fact, “[t]he similarities between the marks are striking.”\(^\text{612}\) Still, however, the court held that “we cannot conclude from the record that [the plaintiff] will necessarily be able to show a probability of success on its trademark infringement claim once the errors we have identified are

\(^{607}\) Id. at 1169-70.

\(^{608}\) See Louis Vuitton Malletier v. Dooney & Bourke Inc., 454 F.3d 108 (2d Cir. 2006).

\(^{609}\) Id. at 117.

\(^{610}\) See Abercrombie & Fitch Co. v. Moose Creek, Inc., 486 F.3d 629 (9th Cir. 2007).

\(^{611}\) See id. at 633-35.

\(^{612}\) Id. at 636-37.
corrected.” According, it remanded the action for further consideration by the district court.

The Eighth Circuit also stepped up to the plate. The appellee in the case before it was an auto parts supplier that had secured a declaratory judgment that its advertising of “MQVP parts available” did not infringe the appellant’s registered MQVP service mark. The district court had perceived a fatal discrepancy between the appellant’s ownership of a registered service mark and the fact that the appellant also licensed use of the mark on goods. The court of appeals was not similarly distracted. It properly held that “a service mark may properly be used to identify the goods associated with the services protected by the mark, so long as the mark continues to identify the presence of some services and not only goods.” Moving on, it rejected the appellee’s argument that liability was precluded by the lack of direct competition between the parties, holding that “the Lanham Act’s unfair competition inquiry is not so narrow.” Accordingly, it vacated entry of summary judgment in the appellee’s favor and remanded the action for resolution of the “[t]he many uncertain and outright disputed issues of material fact that permeate the chaotic record in this case.”

Other opinions focused on conflicts in the record evidence and testimony before them. In one such case, the defendant had purchased sponsored links from Internet search engines, using the plaintiff’s marks as the triggers for the advertising; moreover, it also used the marks in hidden texts and links on its website. Moving for summary judgment, the plaintiff argued that the court needed to look to only three of the standard likelihood of confusion

613. Id. at 637-38.
614. See id. at 638.
615. See Mid-State Aftermarket Body Parts, Inc. v. MQVP, Inc., 466 F.3d 630 (8th Cir. 2006).
616. Id. at 633.
617. Id. at 634.
618. Id.
factors: (1) the similarity of the parties’ marks; (2) the relatedness of the parties’ services; and (3) the parties’ simultaneous use of the Internet as a marketing tool. Declining to depart from a full-blown application of all of the relevant factors, the court concluded that factual disputes precluded it from finding liability as a matter of law. In particular: (1) the plaintiff’s mark was descriptive and therefore (at least according to the court) weak; (2) the defendant’s practice of referring consumers who had mistakenly contacting it back to the plaintiff could be evidence of the defendant’s good faith; (3) the court was unable to determine whether emails and phone calls the defendant had received were evidence of actual confusion; and (4) there was conflicting evidence on the subject of whether consumers demonstrated a high degree of care.621

A similar result occurred in a case addressing the related question of whether the sale of a plaintiff’s trademark as a trigger for online advertising created a likelihood of confusion as a matter of law.622 The plaintiff was the owner of the JR mark for cigars, which the defendant search engine sold to the plaintiff’s competitors to generate advertising revenue. On the plaintiff’s motion for summary judgment, the court concluded that a number of the relevant factors favored the plaintiff’s position, including: (1) the similarity between the plaintiff’s marks and the search terms used by the defendant; (2) the strength of the plaintiff’s marks; (3) an overlap in the ultimate consumers (cigar smokers) targeted by the parties; (4) the relationship between the goods sold by the plaintiff and the search services provided by the search engine; and (5) the potential for initial interest confusion through diversion of customers to the websites of advertisers. Nevertheless, the court also found that the record was either undeveloped or contained evidence weighing at least in part in the search engine’s favor on such factors as: (1) the extent of any actual confusion; (2) the search engine’s intent; and (3) the degree of care exercised by consumers.623 Accordingly, the court deferred resolution of the ultimate issue of liability until trial.624

Record evidence and testimony favoring a defendant similarly precluded summary judgment in another case in which the counterclaim plaintiff sought to establish infringement as a matter of law.625 Responding to competition from the counterclaim plaintiff, the counterclaim defendant launched comparative

621. Id. at 1044.
623. See id. at 285-92.
624. See id. at 292.
advertising on its website that repeatedly referred to the counterclaim plaintiff and its marks. On the counterclaim plaintiff’s motion for summary judgment, the court noted evidence and testimony in the record that Internet purchasers were sophisticated, that there had been an absence of any actual confusion in the three years since the advertising began, and that the counterclaim defendant had acted in reliance on the advice of its counsel when rolling the advertising out. Under these circumstances, summary judgment of liability was inappropriate.

Conflicting record evidence and testimony similarly led to the denial of cross-motions for summary judgment in a dispute between competing equine certifying organizations. The plaintiff owned several marks incorporating the wording TENNESSEE WALKING HORSE BREEDERS’ AND EXHIBITORS’ ASSOCIATION, under which the plaintiff provided, among other things, a registry for horses meeting the plaintiff’s standards for Tennessee Walking Horses. When the defendant introduced a competing registry, it announced on its website that it would accept registration certificates from the plaintiff from applicants seeking to establish the pedigrees of their horses. The plaintiff’s likelihood of confusion causes of action were grounded in the appearance on the defendant’s website of the plaintiff’s marks as part of that announcement. In declining to grant either party’s motion for summary judgment, the court found that there were factual disputes as to the extent of any actual confusion, the likely degree of customer care, and the defendant’s intent in using the marks. Although the remaining factors favored a finding of infringement, the court concluded that the issue was sufficiently in dispute that summary judgment was inappropriate.

Finally, two cases declined to dismiss likelihood of confusion claims on Rule 12(b)(6) motions to dismiss for failure to state a claim. In the first, the defendants’ motion was grounded in the theory that disclaimers on their website—printouts of which were attached to the motion—prevented the relevant audience from confusing the parties’ services. Accepting the complaint’s allegations as true, the court declined to reach such a result. Instead, it held that “[t]hese disclaimers . . . are not referred to in the Complaint and cannot be considered on a motion to dismiss.”

626. See id. at 330.
628. See id. at 1267-70.
630. Id. at 917.
In the second case, the defendant sought the dismissal of the plaintiff’s allegations of likely confusion on the ground that it had discontinued the challenged conduct. The court declined to hold that the plaintiff had failed to state a claim for which relief could be granted. Instead, it held the defendant could still be held liable for its past activities prior to the alleged discontinuance. Therefore, the plaintiff’s claims were allowed to proceed.

(5) Unlikelihood of Confusion: Preliminary Relief

In light of the general requirement that a plaintiff seeking a preliminary injunction demonstrate a likelihood of success on the ultimate merits of its claims, some plaintiffs not surprisingly fell short in their efforts to secure interlocutory relief. Among the most interesting of them was an intellectual property lawyer who sought to enjoin his former law firm from maintaining an Internet domain, www.leonardtillery.com, that incorporated his last name, Tillery. The court was skeptical that the plaintiff had protectable rights in the first instance and it was equally unconvinced that he was likely to prevail on the merits of his claims of likely confusion. In addition to an absence of bad faith and actual confusion, a key factor weighing in the defendant’s favor was the sophistication of the parties’ respective clients, of whom the court observed, “[c]onsumers of intellectual property legal services can be expected to exercise a great deal of care when making a purchasing decision.” Thus, despite establishing to the court’s satisfaction that the parties’ were promoted through the same channels and to the same target market, the plaintiff’s motion was denied.

Another unsuccessful movant for a preliminary injunction was the owner of the federally registered WILD WILLY’S mark for restaurant services. For their part, the defendants operated a nearby “lounge or bar” under the WILD WILLY’S ALE ROOM

632. See id. at 1220.
635. See id. at 325-26.
636. Id. at 325.
637. See id. at 327.
mark, circumstances that ordinarily might be expected to result in a finding of liability, especially in light of evidence that at least some consumers mistakenly had been directed to the plaintiff while apparently seeking to contact the defendants. The court, however, labored to avoid such a result. Although finding that the similarity between the parties' marks weighed in the plaintiff's favor, it ultimately determined that "the record here is far from establishing a similarity in the type of businesses and the goods marketed for sale." The court also gave little weight to evidence that the parties advertised on the Internet and that they apparently had even advertised in the same edition of a local newspaper. With respect to any customers who might be shared by the parties, it found that "the focus of Defendants' lounge business seems inconsistent with the family-style restaurant image being promoted by [the plaintiff] and would not appear to create a high percentage of customer overlap." Finally, it was unconvinced by the plaintiff's evidence of actual confusion, invoking instead the long-discredited theory that misdirected communications such as those presented by the plaintiff constituted inadmissible hearsay. With the court additionally rejecting the plaintiff's allegations of bad faith, the denial of preliminary injunctive relief followed.

Interlocutory relief proved similarly unavailable in a case brought by the owner of the federally registered WONDER WORKS mark for children's toys and games against the user of CRANIUM WONDERWORKS for similar, and related, goods. Under ordinary circumstances, these similarities might be expected to lead to a finding of likely confusion and, indeed, the USPTO earlier had rejected the defendant's application to register WONDERWORKS standing alone on the basis of the plaintiff's prior-filed claim to its mark. Reviewing the record, the court acknowledged that "Plaintiff's sixteen year, uninterrupted use of WONDER WORKS in its retail business constitutes a showing of the commercial strength of the [m]ark, especially considering the great deal of time, money, and effort Plaintiff spent building its reputation in [its hometown]." Nevertheless, the court also found that extensive third-party use of similar marks in related contexts

639. See id. at 69-70.
640. Id. at 70.
641. See id.
642. Id. at 71.
643. See id.
644. See id.
646. Id. at 458.
precluded the mark from being considered strong for likelihood of confusion purposes. The court also found that the defendant’s use of its “well-known Cranium house mark [and] purple brain logo” “lessen the possibility that the marks are so similar as to cause confusion.”

Extensive third-party use of similar marks and geographic separation played significant roles in another court’s decision to deny a preliminary injunction sought by the owner of the federally registered 24 HOUR FITNESS mark for fitness centers against the operators of a competitive business using the 24/7 FITNESS mark. There were several considerations that weighed in the plaintiff’s favor, including the court’s finding that “the [parties’] marks are similar enough in appearance and message to weigh towards a possibility of confusion,” as well as anecdotal and survey evidence of actual confusion. The court, however, strained mightily to conclude that confusion was unlikely. With respect to the strength of the plaintiff’s mark, the court found that the “hundreds of millions of dollars in national advertising” undertaken by the plaintiff was balanced by the mark’s lack of inherent distinctiveness, the relative absence of advertising by the plaintiff targeted towards the New York City market in which the defendants (but not the plaintiff) operated, and “various hotel websites advertising a ‘24 hour fitness center’.” As to the competitive proximity of the parties’ services, the court declined to accord much weight to the presence of 600 members of the plaintiff’s clubs already resident in New York City, and additionally concluded that the plaintiff’s intent to co-brand a planned New York City location rendered its expected entry into that market a “neutral” factor. Finally, the plaintiff’s evidence of actual confusion was also found unconvincing because the anecdotal instances described by the plaintiff’s employees were of limited volume compared to the plaintiff’s overall sales, and because of the “compelling” criticisms of the plaintiff’s survey by the defendants’ counter-expert. With the court concluding that the defendants had adopted their mark in good faith despite their

647. Id. at 459.
648. See 24 Hour Fitness USA, Inc. v. 24/7 Tribeca Fitness, LLC, 447 F. Supp. 2d 266 (S.D.N.Y. 2006), aff’d, No. 06-4183-CV, 2007 WL 2576692 (2d Cir. Sept 6, 2007).
649. Id. at 275.
650. See id. at 278-82.
651. See id. at 272-74.
652. See id. at 276-77.
653. See id. at 278-82.
failure to conduct a trademark availability search beforehand, the fate of the plaintiff’s motion was sealed.

Finally, the successful efforts of one group of defendants to de-identify themselves from a franchise system helped ward off a preliminary injunction brought by the former franchisor. The mark at the heart of the system was GANDOLFO’S NEW YORK DELICATESSEN for restaurant services. When the parties’ relationship ended, the defendants continued operations under the G’S DELI mark; they also transitioned away from the plaintiff’s trade dress, purchased new uniforms, printed new menus and changed the items described in them, removed all training materials provided by the franchisor, and began offering services such as catering not available from the franchisor. Rejecting the franchisor’s requested relief, which apparently contemplated the termination of the defendants’ entire operations, the court concluded against this evidentiary backdrop that the franchisor had failed to demonstrate a likelihood of success on the merits of its infringement claims.

(6) Unlikelihood of Confusion: As a Matter of Law

A defendant moving for summary judgment of noninfringement premised on the theory that there is an absence of evidence supporting the plaintiff’s case obviously can face an uphill battle. Nevertheless, a number of defense motions for judgment as a matter of law did succeed, including those in cases challenging parodies of plaintiff’s marks. In one case, for example, the plaintiff owner of the LOUIS VUITTON mark for various luxury goods sued the purveyors of pet beds and related items bearing the designation CHEWY VUITON and featuring a trade dress at least reminiscent of that of the plaintiff. Observing that “it is undisputed that Plaintiff possesses a strong and widely recognized mark,” the court concluded that the mark’s fame actually weighed in the defendants’ favor: “The fact that the real Vuitton name, marks and trade dress are strong and recognizable makes it unlikely that a parody—particularly one involving a pet chew toy and bed—will be confused with the real

654. See id. at 282-86.
656. See id. at 1360-61.
657. See id. at 1361.
658. See, e.g., Burnett v. Twentieth Century Fox Film Corp., 491 F. Supp. 2d 962, 972-74 (C.D. Cal. 2007) (dismissing challenge to “distasteful and bizarre, even outrageous and offensive” parody of plaintiff’s mark for failure to state a claim).
The court was unswayed by the plaintiff’s sale of pet products under its mark because the prices of those items were considerably higher than those offered by the defendants. It also dismissed the plaintiff’s proffered showing of a single instance of actual confusion on the ground that the plaintiff had mischaracterized the testimony of the alleged confusion victim. The plaintiff’s claim that the defendants had acted in bad faith proved similarly unavailing; rather, “[a]n intent to parody is not an intent to confuse the public.” Finally, the clear differences in the overall quality and expense of the products offered by the parties also weighed in the defendants’ favor. That the parties sold their goods over the Internet did not affect the outcome.

Another opinion disposing of a plaintiff’s infringement claims as a matter of law came in a dispute between the host of a local Long Island cable television show and a national network. The plaintiff’s mark was AMERICAN DREAM, used in connection with a program that, as described by the plaintiff’s website, “demonstrate[s] the American Dream by emphasizing . . . family heritage, struggles, goals, dreams and accomplishments.” For its part, the defendant’s broadcast of a weekly drama entitled American Dreams centered around a fictional family living in Philadelphia in the 1960s. The court rejected the defendant’s attack on the validity of the plaintiff’s mark but otherwise concluded that there was no liability as a matter of law. It first invoked the Second Circuit rule that “literary titles do not violate the Lanham Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.” Then, however, it applied a straightforward likelihood of confusion analysis with no apparent consideration of whether that test and the inquiry into whether the defendant’s title was explicitly misleading were coextensive. Ultimately, the court concluded as a matter of law that the plaintiff’s mark and the defendant’s title were not confusingly similar, in substantial part because of their differing presentations, the “quite different” nature of the associated programs, the absence of credible evidence that the parties would “bridge the gap” between them, the lack of a

660. Id. at 499.

661. Id. at 502 (quoting Jordache Enters. v. Hogg Wyld, Ltd., 828 F.2d 1482, 1486 (10th Cir. 1987)).

662. See id. at 503.


664. Quoted in id. at 438 (alterations in original).

665. Id. at 446 (quoting Twin Peaks Prods., Inc. v. Publ’ns Int’l Ltd., 996 F.2d 1366, 1379 (2d Cir. 1993) (internal quotation marks omitted)).
bad faith intent by the defendant, and the differing quality of the parties’ programs.666 Although the plaintiff sought to rely upon her receipt of two emails encouraging her to sue the defendant, the court concluded that these were evidence that the senders understood the distinction between the two parties; a third email, even if evidence of actual confusion, was insufficient to preclude summary judgment.667

Summary judgment of noninfringement similarly resulted in a case brought by the owner of the AUTOZONE mark for auto parts sales against junior users of the OIL ZONE and WASH ZONE marks for oil change and car wash services, respectively.668 En route to the conclusion that “[s]ight-wise, there is not great similarity” between the parties’ marks, the court noted both that “the principal common element of the three marks is the word zone, a commonly used descriptive term,” and that the presentations of the marks in the marketplace differed.669 With respect to the relationship between the parties’ goods and services, the court found that “[w]hile there is a limited possibility for confusion since both are in the automobile industry, overall, this factor favors defendants because the products/services offered are not similar enough.”670 On the subject of the parties’ advertising strategies, it similarly found that “the type of advertising performed by defendants is unlikely to be confused with the type of advertising campaign performed by a national company like [the plaintiff].”671 With no convincing evidence or testimony of either actual confusion or a bad faith intent on the defendants’ part, a finding of no likelihood of confusion as a matter of law resulted, despite the strength of the plaintiff’s mark and the possible lack of sophistication of the parties’ customers.672

Consistent with holdings to similar effect in other contexts, one court entering summary judgment of nonliability rejected the proposition that the likelihood of confusion inquiry can be resolved with a side-by-side comparison of the parties’ marks.673 The counterclaim plaintiffs’ mark was GLOBALAW, INC., used in connection with legal services, while the counterclaim defendants used GLOBALAW LIMITED as the name of a network of law

666. See id. at 446-52.
667. See id. at 450.
669. See id. at 1040.
670. Id. at 1042.
671. Id.
672. See id. at 1042-44.
firms. Despite the identity of the leading word in the marks, the court found that “[the parties’] respective uses of the term are essentially different in their overall impressions,” particularly in light of the counterclaim plaintiffs’ failure to demonstrate a consistent presentation of their claimed mark. Other considerations supporting the court’s dismissal of the counterclaim defendants’ allegations of infringement were the counterclaim defendants’ prominent use of their law firm names, differences in the nature of the parties’ services, the parties’ operations in different geographic markets, an absence of actual confusion, the counterclaim defendants’ good faith adoption of their mark, the high quality of the counterclaim defendants’ services, and the sophistication of the relevant customers. Moreover, this result held whether the counterclaim plaintiffs’ claims sounded in either forward or reverse confusion.

(7) Unlikelihood of Confusion: After Trial

Findings after full trials that confusion was unlikely were relatively rare over the past year. Heavy reliance on survey results as evidence of actual confusion proved to be ineffective for one plaintiff seeking to protect its LEELAUNAU CELLARS mark for wine against the use of CHATEAU DE LEELAUNAU for the same goods. Although admitting the survey results into evidence over the defendant’s objections, the court downplayed their weight in light of what it considered to be “substantial flaws” in the survey’s methodology. Proceeding to the standard likelihood of confusion analysis, the court concluded that the geographic descriptiveness and weakness of the plaintiff’s mark, the lack of similarity between the marks when viewed as a whole, and the high degree of interaction between the parties and their customers in the tasting rooms in which most of their sales occurred weighed against a finding of liability. The plaintiff’s limited evidence of actual confusion in the form of consumer inquiries and a misdirected e-mail, as well as the related nature of the parties’ goods and the parties’ overlapping advertising channels failed to establish the contrary.

Some findings of nonliability stood on shakier ground. Rejecting a challenge by the owner of the STARBUCKS mark for coffee and related goods and services to the use of CHARBUCKS

674. See id. at 48-56.
675. See id. at 56-58.
677. See id. at 777-86.
678. See id. at 787-91.
BLEND, MR. CHARBUCKS, and MISTER CHARBUCKS for coffee, one court somewhat surprisingly found no likelihood of confusion between the parties’ marks.679 Notwithstanding its acknowledgement that the salient component of the defendant’s marks was “similar” to the plaintiff’s mark, the court nevertheless found that the marks were dissimilar when viewed in overall context.680 The defendant’s good-faith adoption of its mark and the sophistication of the parties’ consumers also played roles in the disposition of the case, but the key piece of evidence from the court’s perspective apparently was rather anemic survey evidence results introduced by the plaintiff.681

In a final notable case finding no likelihood of confusion, the plaintiff sought to protect a variety of marks that it used in connection with a men’s hair salon, including the JOHN ALLAN mark.682 Following several visits to the plaintiff’s salons, the defendants launched a similar salon under the CRAIG ALLEN name. Although reaching a finding of likely confusion with respect to other marks used by the defendants, the court declined to reach the same result as to the JOHN ALLAN and CRAIG ALLEN marks. Quite incorrectly, the court found that the absence of evidence of actual confusion weighed in the defendants’ favor; another consideration doing the same was the parties’ differing marketing strategies. Largely on the basis of these factors, the court found in the defendants’ favor, despite evidence of the defendants’ bad faith intent, the similarities between the parties’ marks and services, and “some” degree of national recognition of the plaintiff’s mark.683

(8) Survey Evidence of Confusion

“It is now commonly accepted that consumer surveys are admissible in trademark actions and may provide strong evidence on . . . likelihood of consumer confusion.”684 Nevertheless,

To be admissible, surveys should generally satisfy the following foundational requirements:

“(1) the ‘universe’ was properly defined, (2) a representative sample of that universe was selected, (3)
the questions to be asked of interviewees were framed in a clear, precise and non-leading manner, (4) sound interview procedures were followed by competent interviewers who had no knowledge of the litigation or the purpose for which the survey was conducted, (5) the data gathered was [sic] accurately reported, (6) the data was [sic] analyzed in accordance with accepted statistical principles, and (7) objectivity of the process was assured.”

Of course, in cases in which a survey’s adherence to these foundational requirements is criticized, that criticism typically goes to the weight of the survey results, rather than their admissibility. The leading example of this rule over the past year was a scholarly opinion in litigation between competing wine producers that admitted, but then accorded limited weight to, a survey that purported to show a net confusion level between 27-31 percent. On the defendants’ motion for summary judgment, the court initially acknowledged that the results suggested that “there is a significant likelihood of confusion in the marketplace. . . .” Nevertheless, it went on to identify a number of flaws in the survey’s methodology. These included the survey’s use of a universe consisting of Michigan consumers over twenty-one years old who were either actual or potential purchasers of wine, despite the fact that the defendants’ wines were available only in proprietary tasting rooms and through their website. The same considerations also led the court to conclude that the survey had failed to replicate actual marketplace conditions. Finally, questioners had shown the respondents an advertisement for the plaintiff’s product and then a display containing the defendant’s bottle; their subsequent question about whether any of the wines in the display was the same as that in the advertisement or came from the winery putting out the advertisement was found by the court to be leading. These “substantial flaws” notwithstanding, however, the court ultimately held that “[w]hile this a close case, the Court concludes that the better course is to admit the survey and to consider any flaws in assigning weight in the likelihood of confusion analysis.”

685. Id. at 778 (quoting Consumers Union of United States, Inc. v. New Regina Corp., 664 F. Supp. 753, 769 (S.D.N.Y. 1987)).
686. See id. at 780.
687. Id.
688. See id. at 781-83.
689. See id. at 783-84.
690. See id. at 785-86.
691. Id. at 786.
Other cases also admitted survey evidence despite concerns over the procedures followed by questioners.692 In one, the author and illustrator of the book Jonathan Livingston Seagull sought to demonstrate infringement of their rights to the title and trade dress of the book by surveying past, present, or potential multi-channel marketing distributors, the channel used by the defendants to market their goods.693 Both the test and control groups of the respondents were shown a visual array depicting the name, title, and cover image from the book. The test group then was shown examples of the defendants’ allegedly infringing promotional material, while the control group was shown the same material, but with the challenged uses redacted. All respondents were then asked whether the producers of the defendants’ material had received permission “from the people who own the rights to Jonathan Livingston Seagull.”694 Faced with a thirty-five percent rate of positive responses from the test group, as opposed to a four percent rate of positive responses from the control group, the defendants sought to have the results excluded under a variety of theories, but the court demurred: “Defendants may challenge the . . . survey through cross-examination and the presentation of contrary evidence at trial, but the Court will not exclude the survey in its entirety.”695

One Squirt survey696 making the grade from an admissibility standpoint nevertheless struck out when considered on the merits.697 The plaintiff’s mark was 24 HOUR FITNESS for fitness center services, while the defendants used 24/7 FITNESS in connection with identical services. Respondents in the plaintiff’s survey were exposed to both parties’ marks, as well as to a control in the same industry, the LIFETIME FITNESS mark. The results demonstrated confusion between the parties’ marks in excess of that between the plaintiff’s mark and that of the third party, but the court found criticism of the survey’s methodology by a defense expert “compelling.” According to the defendants’ expert, the control should have been another use that advertised it was open 24 hours a day. Over the plaintiff’s objections that the survey followed traditional methodology by using a control that did not

694. See id. at 1115.
695. Id. at 1116.
696. See SquirtCo. v. Seven-Up Co., 628 F.2d 1086 (8th Cir. 1980).
697. See 24 Hour Fitness USA, Inc. v. 24/7 Tribeca Fitness, LLC, 447 F. Supp. 2d 266 (S.D.N.Y. 2006), aff’d, No. 06-4183-CV, 2007 WL 2576692 (2d Cir. Sept 6, 2007).
share the characteristic of both parties’ marks being measured, the court agreed. Because the plaintiff had settled past cases with agreements allowing junior users to continue making at least some uses of “24,” the presumed absence of confusion caused by those ongoing uses made them more appropriate benchmarks than the one chosen by the plaintiff’s expert. With the court further faulting the perceived “lumping” together of results by the plaintiff’s expert, as well the universe of respondents he had chosen, the survey results were of “inconclusive” at best.

Some survey evidence of putative confusion among respondents was so unconvincing that it was difficult to determine why some plaintiffs introduced it in the first place. For example, one plaintiff sought to rely upon a survey that demonstrated that only 3.1% of respondents exposed to the defendant’s mark identified the plaintiff as a potential source of the associated product. Of these results, the court remarked that “[p]articularly in light of the fact that this survey . . . was administered by telephone and did not present the [defendant’s mark] in the linguistic or visual context in which Defendant uses it, this evidence is insufficient to make the actual confusion factor weigh in Plaintiff’s favor to any significant degree.”

Seeking to make lemonade out of a lemon, the plaintiff also introduced survey results suggesting that 79.0% of the respondents familiar with its marks had made a purchase over the Internet. Although the defendant’s products were only sold online, the court was disinclined to accept the plaintiff’s theory that these results showed an increased likelihood of confusion. Instead, it characterized the results as a “red herring” and found them insufficient to carry the plaintiff’s burden in a bench trial that ended in a finding of nonliability.

Of course, defendants can conduct their own surveys to demonstrate the absence of actual confusion, and this strategy proved successful for one group of defendants alleged to have infringed the trademark and trade dress of a Los Angeles strip

698. See id. at 279-80.
699. See id. at 280-82.
700. See id. at 281-82.
701. Id. at 282.
704. Id. at 1142.
705. Id. at 1142-43.
The offending use was featured in a video game intended to create a gritty, urban atmosphere, and gamers were therefore the universe of respondents surveyed by the defendants’ expert. When 503 respondents were shown a screen shot containing the defendants’ virtual strip club, sixteen mentioned the plaintiff’s club, while twenty-seven indicated that the defendants’ faux establishment was a generic strip club. Only five thought that the defendants’ club was endorsed by, sponsored by, or affiliated with the plaintiff.\footnote{707} With the plaintiff apparently failing to contest the survey methodology, the court relied upon the responses in entering summary judgment in the defendants’ favor.

Outside the context of the admissibility of surveys that actually had been conducted, one court took pains to excuse a failure by plaintiffs to commission a survey in the first place.\footnote{708} Rejecting the defendants’ invitation to infer that the plaintiffs knew that the results of a survey would be negative, the court explained that:

Survey evidence can indicate actual confusion, if members of the viewing public are surveyed; or the likelihood of confusion, if a test panel is surveyed. However, putting together and executing a survey is an expensive and dubious proposition. . . .

Further, just as . . . anecdotal evidence of confusion is “frequently discounted as unclear or insubstantial,” the same is true for surveys. The expense that a survey entails will go all for nothing if the court will not accept its methodology. . . . Because it would have been difficult, cost-preclusive, and risky for [the lead plaintiff] to have obtained evidence of actual confusion, I cannot weigh the lack of this evidence too heavily against him.\footnote{709}

\textbf{(9) Effect of Disclaimers}

The trend in recent years has been toward according reduced weight to defendants’ disclaimers in the likelihood of confusion analysis,\footnote{710} and a Ninth Circuit opinion provided an example of

\footnote{707. See id. at 1025.}
\footnote{710. See, e.g., Pet Silk, Inc. v. Jackson, 481 F. Supp. 2d 824, 830 (S.D. Tex. 2007) (finding disclaimer encountered by consumers only viewing prominent uses of plaintiff’s mark inadequate to prevent confusion).}
that phenomenon.\textsuperscript{711} The dispute had its origins in the declaratory plaintiff’s production and sale of automobile accessories bearing marks owned by the defendants, who produced the automobiles to which the plaintiff’s goods presumably were attached. Seeking to fend off the defendants’ motion for summary judgment of liability, the plaintiff invoked disclaimers of affiliation distributed to its customers at the point of sale. Finding a likelihood of confusion as a matter of law, the Ninth Circuit noted that “[e]ven if disclaimers may in some cases limit the potential for confusion, here they do not.”\textsuperscript{712} Among the bases for this conclusion were inconsistencies in the message communicated by the plaintiff: Although advising its customers that “[t]his product is not endorsed, manufactured, or licensed by the vehicle manufacturer,” it also recited in its advertising that its goods “may or may not be” dealer approved and even that the goods were “[f]actory authorized licensed products.”\textsuperscript{713} Because “the effectiveness of these disclaimers is undercut by their sometimes contradictory messages” and because they did nothing to dispel the threat of post-sale confusion, judgment of infringement in the defendants’ favor followed.\textsuperscript{714}

The Sixth Circuit was similarly unsympathetic to a defendant seeking to escape liability through the use of a disclaimer on a website accessible at a domain virtually identical to a trademark owned by the plaintiff.\textsuperscript{715} In affirming entry of summary judgment of liability in the plaintiff’s favor, the appellate court noted that the disclaimer would not cure any initial interest confusion generated by the appearance of the defendant’s website in Internet search results. Of equal importance, the defendant’s site also featured an inaccurate statement that the defendant had a written agreement with the plaintiff. Under these circumstances, the court held, “any effect [the] disclaimer had in reducing confusion would likely be negated. . . .”\textsuperscript{716}

Still, however, at least one party charged with infringement was able to put its past disclaimers to some use.\textsuperscript{717} In a dispute between purveyors of furniture, the defendant asserted a counterclaim that challenged the plaintiff’s uses of the defendant’s marks in comparative advertising on the plaintiff’s website.

\textsuperscript{711} See Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062 (9th Cir. 2006), cert. denied, 127 S. Ct. 1838 (2007).
\textsuperscript{712} Id. at 1077.
\textsuperscript{713} Quoted in id.
\textsuperscript{714} Id. at 1077-78.
\textsuperscript{715} See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
\textsuperscript{716} Id. at 546.
Anticipating the defendant’s objections, the plaintiff had taken its counsel’s advice to include on the website a disclaimer advising viewers that the defendant’s marks belonged to the defendants. Although there were a number of reasons identified by the court for denying the defendant’s motion for summary judgment on its counterclaim, one was the appearance of the disclaimers, which the court regarded as evidence of the plaintiff’s good faith.\textsuperscript{718}

3. Dilution

The past year produced some of the final interpretations of the original version of the federal dilution statute, Section 43(c) of the Act,\textsuperscript{719} before it was amended by the Trademark Dilution Revision Act of 2006. As a consequence, the precedential significance of many of the opinions is less than certain; others, however, may prove to have some influence on future interpretations of the amended statute.

\textit{a. Retroactivity of the Trademark Dilution Revision Act of 2006}

For the most part, courts addressing federal dilution claims after the passage of the TDRA properly recognized the retroactive nature of the tests for eligibility for protection in the first instance and liability enacted by that legislation.\textsuperscript{720} As to the former, most courts applied the more stringent standard for mark fame.\textsuperscript{721} As to the latter, whereas the original version of Section 43(c) required a showing that the defendant’s use had “cause[d] dilution,” the current version requires a showing only that dilution is “likely.”\textsuperscript{722} This distinction led the Second Circuit to vacate a finding of no liability for want of actual dilution made under the old version of the statute,\textsuperscript{723} while other courts applied the more lenient likelihood of dilution in the first instance.\textsuperscript{724}

\textsuperscript{718} See id. at 330.
\textsuperscript{719} 15 U.S.C.A. § 1125(c) (West Supp. 2007).
\textsuperscript{720} For an example of a court recognizing the changes worked by the TDRA, but declining to give them dispositive effect in light of the plaintiff’s failure to brief them, see Autozone, Inc. v. Strick, 466 F. Supp. 2d 1034, 1045 (N.D. Ill. 2006).
\textsuperscript{721} See, e.g., Green v. Fornario, 486 F.3d 100, 105 (3d Cir. 2007).
\textsuperscript{723} See Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 477 F.3d 765 (2d Cir. 2007).
Some courts, however, remained unclear on the concept of the new test. Thus, for example, the Ninth Circuit improperly required one plaintiff to demonstrate actual dilution (which it did), despite the passage of the TDRA during the pendency of the defendant’s appeal from a finding of liability. The Sixth Circuit committed the same error, although, like the Ninth Circuit, it also upheld a finding of liability. A finding of actual dilution following the TDRA’s effective date also came from a district court, which held that the identity of the marks used by the parties satisfied the stringent test adopted by the Moseley Court.

b. Proving Mark Fame and Distinctiveness

Even assuming that a plaintiff can demonstrate that its mark has secondary meaning, several opinions rejecting plaintiff’s dilution claims demonstrated that the TDRA has raised the bar for demonstrating mark fame. Chief among them was a Third Circuit opinion addressing the dilution claims of a former professional baseball player. Having prevailed upon the defendants to discontinue their use of a mark that incorporated the plaintiff’s personal name, the plaintiff sought an award of fees on the theory that he was the prevailing party on his federal dilution claims. Noting that the plaintiff had spent only three years in the major leagues, the Third Circuit was skeptical of his claims of mark fame:

The key requirement is that the mark be famous, which [Section 43(c)] defines as “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” This is a rigorous standard, as it extends protection only to highly distinctive marks that are well-known throughout the country. Without going into more detail than this case requires, it

725. See, e.g., Tenn. Walking Horse Breeders’ & Exhibitors’ Ass’n v. Nat’l Walking Horse Ass’n, 82 U.S.P.Q.2d 1259, 1271 (M.D. Tenn. 2007) (continuing to apply actual dilution test for liability).
726. See Horphag Research Ltd. v. Garcia, 475 F.3d 1029, 1036-37 (9th Cir. 2007).
727. See Audi AG v. D’Amato, 469 F.3d 534, 547 (6th Cir. 2006).
729. For an opinion making the point that a plaintiff unable to demonstrate secondary meaning is obviously unable to claim protection against dilution, see Bay State Sav. Bank v. Baystate Fin. Servs., LLC, 484 F. Supp. 2d 205, 218-19 (D. Mass. 2007) (entering summary judgment of nonliability on plaintiff’s federal and Massachusetts dilution claims).
730. For a post-TDRA opinion improperly applying the pre-TDRA statutory factors for mark fame, but nevertheless finding the plaintiff’s mark unprotectable, see Ark. Trophy Hunters Ass’n v. Tex. Trophy Hunters Ass’n, 506 F. Supp. 2d 277, 284 (D. Ark. 2007).
731. See Green v. Fornario, 486 F.3d 100 (3d Cir. 2007).
seems several steps short of probable that a person with such a brief, and largely undistinguished, professional career limited to one team in one area would have a name that is “widely recognized by the general consuming public of the United States.”

The appellate court therefore affirmed the district court’s denial of the plaintiff’s fee petition on the ground that “[i]t appears that [the defendants] had a colorable defense to this claim.”

Similarly, a district court took a hard line toward a claim of mark fame advanced by a New York City law firm in a dilution action against a California real estate management company. The law firm had the misfortune to prosecute its federal and California dilution claims under a niche market fame theory, only to have the TDRA eliminate the concept as a matter of federal law during the pendency of the case. With respect to the revised federal standard, the court was convinced by the lack of detail in the plaintiff’s showing and extensive third-party use to hold that “the [plaintiff’s] mark must rise to the level of a household name [and] [the plaintiff] has failed to establish anything like the kind of fame required for dilution protection.” Announcing its intent to interpret the California dilution statute as coextensive with its federal counterpart “until and unless the 9th Circuit decides otherwise,” the court held that the same considerations supporting entry of summary judgment in the defendant’s favor on the plaintiff’s federal dilution claims also warranted the dismissal of the plaintiff’s claims under California law.

Other courts were more receptive to claims of mark fame, even to claims of fame only in particular markets. For example, and notwithstanding the passage of the TDRA, one district court held that “[n]iche market fame is sufficient.” It therefore entered a preliminary injunction to protect the PET SILK mark for pet grooming products based on record evidence that the mark had been used and registered for over a decade, that the plaintiff had “distributors all over the world, and that the mark “has name

733. Id.
735. Id. at 1587.
736. Id. at 1588.
737. See id.
738. For an example of a pre-TDRA opinion finding niche market fame sufficient for dilution causes of action under federal and New Jersey law, see 800-JR-Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273, 293-94 (D.N.J. 2006).
recognition in the pet supply and dog grooming market.” The better approach, of course, would be to heed the admonition in the legislative history of the TDRA that it “expands the threshold of ‘fame’ and thereby denies protection for marks that are famous only in ‘niche’ markets.”

Although the issue was ultimately rendered moot by the TDRA’s express recognition that marks with acquired distinctiveness can qualify for protection against dilution, one district court took issue with the Second Circuit rule that only inherently distinctive marks need apply. Noting the absence of any telltale uses of the word “inherently” in the then-extant version of Section 43(c), the court observed that “[i]n order to limit the FTDA to inherently distinctive trademarks the Court would be required to add the term ‘inherently’ to the language of the statute.” It therefore held that “the Second Circuit’s interpretation places an unduly restrictive gloss on the FTDA that is contrary to the plain language of the statute and violates well-established canons of construction.”

c. Proving Actual or Likely Dilution

(1) Actual or Likely Dilution by Tarnishment

One plaintiff failing to introduce record evidence or testimony of the likely tarnishment of its LOUIS VUITTON mark fell short in its efforts to demonstrate liability under this prong of the dilution analysis. A manufacturer of luxury goods, the plaintiff took issue with the defendants’ sale of pet products putatively parodying the plaintiff’s mark and bearing the designation CHEWY VUITON. Seeking to fend off the defendants’ motion for summary judgment, the plaintiff advanced the theory in its responsive papers that the defendants’ products were of inferior quality but apparently failed to back up this assertion with an evidentiary showing. Its position at oral argument was equally unconvincing: As the district court characterized it, “Plaintiff provided only a flimsy theory that a pet may some day choke on a Chewy Vuiton squeak toy and incite the wrath of a confused

740. Id.
743. See TCPIP Holding Co. v. Haar Commc’ns, Inc., 244 F.3d 88 (2d Cir. 2001).
744. Id. at 1911.
745. Id. at 1910.
consumer against Louis Vuitton.” 747 In a holding ultimately affirmed by the Fourth Circuit, the court therefore entered summary judgment in the defendants’ favor on the ground that “even taking into account the amended statute, this Court concludes that no reasonable trier of fact could find for Plaintiff on the issue of dilution by tarnishment.” 748

A finding of no likely tarnishment as a matter of law also occurred in a pre-TDRA opinion addressing the defendants’ repackaging and resale of genuine goods bearing the plaintiff’s marks. 749 The theory underlying the plaintiff’s tarnishment claim was that the resale of the repackaged goods was taking place in close proximity to products that the plaintiff believed had “less prestige and exclusivity.” 750 Unmoved, the court noted that “[a] tarnishing claim fails if the defendants’ conduct does not link the plaintiff’s trademark with products of shoddy quality or portray the trademark in an unwholesome or unsavory context.” 751 Because of an absence of record evidence or testimony that the defendants had indeed linked the plaintiff’s mark to other competitive products, much less competitive products of shoddy quality, or that the plaintiff’s marks had been presented in an unwholesome or unsavory context, summary judgment in the defendants’ favor was appropriate. 752

(2) Actual or Likely Dilution by Blurring

The parameters of the dilution-by-blurring tort continued to evolve. 753 For courts disinclined to find liability for impermissible blurring, the Supreme Court’s restrictive application of the original Section 43(c) in Moseley v. V Secret Catalogue, Inc. 754 was the gift that kept on giving. Thus, pre-TDRA case law was replete with examples of courts denying relief because plaintiffs had failed to satisfy the actual dilution standard then in effect. 755
Nevertheless, even the more lenient likelihood of dilution standard enacted by the TDRA proved a strict one in the hands of some courts, especially the Fourth Circuit, which, unfazed by the TDRA’s abrogation of *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development*,\(^\text{756}\) resumed its apparent mission to limit any dilution legislation that might be passed by Congress.

For example, in the first reported opinion applying the new test for liability, the plaintiff owner of the LOUIS VUITTON mark for luxury consumer goods (including pet-related products) took aim at the purveyors of pet beds sold under the CHEWY VUITON name.\(^\text{757}\) Entering summary judgment in the defendants’ favor, a Virginia district court acknowledged that likelihood of dilution had become the law of the land. It then held that “[s]ince the Fourth Circuit has not offered [an] opinion on the new ‘likelihood of dilution’ standard for guidance, this Court looks to the Second Circuit’s application of New York General Business Law § 360-1, which incorporates the ... standard now adopted by Congress.”\(^\text{758}\) Reviewing the Second Circuit’s jurisprudence on the subject, it noted that that appellate court “and its district courts have held on numerous occasions that in the case of parody, ‘the use of famous marks in parodies causes no loss of distinctiveness, since the success of the use depends upon the continued association with the plaintiff.’”\(^\text{759}\) As a consequence, “no reasonable trier of fact could conclude that Plaintiff’s mark is diluted by blurring in this case.”\(^\text{760}\)

The practice of relying on past interpretations of state statutes codifying the likelihood of dilution standard is a superficially appealing one. Nevertheless, the district court’s methodology in this particular case ignored a significant difference between the amended Section 43(c) and its corresponding New York counterpart. Specifically, Section 43(c)(3) contains an express treatment of the parody issue that distinguishes it from state statutes. That treatment recognizes an “exclusion” to the statute’s scope, namely that:

Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s

\(^{756}\) 170 F.3d 449 (4th Cir. 1999).


\(^{758}\) Id. at 505.

\(^{759}\) Id. (quoting Yankee Publ’g, Inc. v. News Am. Publ’g, Inc., 809 F. Supp. 267, 282 (S.D.N.Y. 1992)).

\(^{760}\) Id.
own goods or services, including use in connection with ... identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.\textsuperscript{761}

The revised statute therefore makes clear that not all parodies are protected from liability; rather, only those involving non-trademark uses by defendants are. Although properly recognizing that the TDRA had retroactive effect, the district court therefore failed to heed another significant change wrought by that legislation, one that should have played a role in the outcome in light of evidence that the defendants were indeed using the challenged term as a trademark.\textsuperscript{762}

If the district court reached its result out of ignorance of the express language of the new exclusions codified by the TDRA, the Fourth Circuit could not claim the same when the case reached it on the plaintiff's appeal.\textsuperscript{763} As a threshold matter, and continuing to use the language of actual dilution despite the passage of the TDRA, the appellate court explained that:

[T]o state a dilution claim under the TDRA, a plaintiff must show:

(1) that the plaintiff owns a famous mark that is distinctive;

(2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;

(3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and

(4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.\textsuperscript{764}

The court noted that only the last of these considerations was disputed between the parties.\textsuperscript{765} Faulting the district court for failing to apply the six factors set forth in Section 43(c)(2)(B)\textsuperscript{766} for resolving the issue, the Fourth Circuit took it upon itself to apply


\textsuperscript{762} To give but one example, the defendants had filed (but eventually abandoned) an application to register CHEWY VUITON with the USPTO. See U.S. Application Serial No. 78724751 (filed October 1, 2005).

\textsuperscript{763} See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007).

\textsuperscript{764} Id. at 264-65.

\textsuperscript{765} See id. at 265.

the factors as a matter of law.\textsuperscript{767} In doing so, it recognized, as the district court had failed to do, that “[u]nder the statute’s plain language, parodying a famous mark is protected by the fair use defense only if the parody is \textit{not} a designation of source for the [defendant’s] own goods and services.”\textsuperscript{768} Nevertheless, the court then executed a disingenuous end run around the language statutory exclusion that warrants reproduction at length:

The TDRA, however, does not require a court to ignore the existence of a parody that is used as a trademark, and it does not preclude a court from considering parody as part of the circumstances to be considered for determining whether the plaintiff has made out a claim for dilution by blurring. Indeed, the statute permits a court to consider “all relevant factors,” including the six factors supplied in [Section 43(c)(2)(B)].

Thus, it would appear that a defendant’s use of a mark as a parody is relevant to the overall question of whether the defendant’s use is likely to impair the famous mark’s distinctiveness. Moreover, the fact that the defendant uses its marks as a parody is specifically relevant to several of the listed factors. For example, factor (v) (whether the defendant intended to create an association with the famous mark) and factor (vi) (whether there exists an actual association between the defendant’s mark and the famous mark) directly invite inquiries into the defendant’s intent in using the parody, the defendant’s actual use of the parody, and the effect that its use has on the famous mark. While a parody intentionally creates an association with the famous mark in order to be a parody, it also intentionally communicates, if it is successful, that it is \textit{not} the famous mark, but rather a satire of the famous mark. That the defendant is using its mark as a parody is therefore relevant in the consideration of these statutory factors.

Similarly, factors (i), (ii), and (iv)—the degree of similarity between the two marks, the degree of distinctiveness of the famous mark, and its recognizability—are directly implicated by consideration of the fact that the defendant’s mark is a successful parody.

In sum, while a defendant’s use of a parody as a mark does not support a “fair use” defense, it may be considered in determining whether the plaintiff-owner of a famous mark has proved its claim that the defendant’s use of a parody mark is likely to impair the distinctiveness of the famous mark.\textsuperscript{769}

\textsuperscript{767} See \textit{Louis Vuitton Malletier}, 507 F.3d at 266.
\textsuperscript{768} Id.
\textsuperscript{769} Id. at 266-67 (citations omitted).
En route to affirming the district court’s finding of no likelihood of dilution as a matter of law, the court additionally observed that “by making the famous mark an object of the parody, a successful parody might actually enhance the famous mark’s distinctiveness by making it an icon. The brunt of the joke becomes yet more famous.”

Whatever other flaws from which this methodology might suffer, two in particular stand out. First, it is a straightforward canon of statutory construction that, under ordinary circumstances, a court should not construe a statute in a manner that is strained and, at the same time, would render a statutory term superfluous; thus, it is generally impermissible to allow a reading of one portion of a statute to render another portion meaningless. As the Fourth Circuit properly noted, many of the statutory factors for evaluating a dilution-by-blurring cause of action are implicated by a claim of parody. Even if those factors necessarily weigh in the parodist’s favor—and it is not entirely clear why they should—allowing their application to trump an express congressional intent for parodical trademark uses to be actionable under the TDRA would render the carefully crafted language of the exclusions a nullity.

Second, one of the hallmarks of trademark and service mark rights under U.S. law is the ability—and, indeed, obligation—to control the nature and quality of the goods and services provided under the mark. Assuming that a defendant’s use is sufficiently similar to that of a plaintiff to support a claim of likely dilution in the first instance, it therefore should be the prerogative of the plaintiff to choose how best to cultivate the fame and distinctiveness of the plaintiff’s mark. The Fourth Circuit’s allocation of a share of that responsibility to defendants flies in the face of a basic tenet of U.S. unfair competition law.

Some courts were more successful in applying the spirit, if not the letter of the new Section 43(c)(3)’s exclusions. Thus, for

770. Id. at 267.
772. See, e.g., AT&T Corp. v. F.C.C., 292 F.3d 808, 812 (D.C. Cir. 2002).
773. On this issue, the Fourth Circuit observed that “[t]his might not be true if the parody is so similar to the famous mark that it likely could be construed as actual use of the famous mark itself.” Consequently, “[i]f [the defendant] used the actual marks of [the plaintiff] (as a parody or otherwise), it could dilute [the plaintiff’s] marks by blurring, regardless of whether [the defendant’s] use was confusingly similar, whether it was in competition with [the plaintiff], or whether [the plaintiff] sustained actual injury.” Louis Vuitton Malletier, 507 F.3d at 268.
774. See, e.g., Burnett v. Twentieth Century Fox Film Corp., 491 F. Supp. 2d 962, 973-74 (C.D. Cal. 2007) (dismissing plaintiff’s claims against non-trademark use parody on ground that it was not a commercial use).
example, in a case decided under the Florida dilution statute, the First Circuit declined to impose liability on the defendant provider of an Internet message board based on the use of the plaintiff’s mark by third-party users of the board. Although acknowledging that the defendant might well have profited from the third parties’ use of the board, the principles underlying the “noncommercial use” exception to liability at the federal level warranted affirmance of the district court’s dismissal of the plaintiff’s case for failure to state a claim. Not all dilution causes of action were rejected outright, however. For example, one pre-TDRA opinion took the easy way out by conflating the likelihood of confusion and likelihood of dilution inquiries to reach a prior finding of liability. Likewise, the Second Circuit bootstrapped a holding that a district court had relied too heavily on dissimilarities between the parties’ marks in the likelihood of confusion context to hold that the lower court had erred in rejecting the plaintiffs’ claim of likely dilution under New York as well: “One of the factors to be considered for determining likelihood of dilution is also a factor in likelihood of confusion analysis for trademark claims under the Lanham Act; namely, courts must assess the ‘similarity of the marks’ in a similar fashion as they do under the Lanham Act.” And one district court found a likelihood of dilution under the Delaware state statute after concluding that “a likelihood of some mental association between the marks exists based upon the testimony of plaintiffs’ witnesses.” Not surprisingly in light of the ambiguous nature of the tort, some courts deferred resolution of plaintiffs’ claims of actionable blurring until later. One notable example of this phenomenon came in an action in which some of the defendants ambitiously moved to dismiss the plaintiffs’ complaint for failure to state a claim. The lead plaintiff sold a pharmaceutical

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776. See Universal Commc’n Sys. v. Lycos, Inc., 478 F.3d 413 (1st Cir. 2007).
777. See id. at 424-25.
preparation under the ZOCOR mark, while the defendants sold a competitive product, which they marketed it as “generic ZOCOR,” “ZOCOR generic,” and the like. Although the defendants attempted to avail themselves of the protection to comparative advertising contained in the then-extant Section 43(c)(4), the court held that the plaintiff had sufficiently alleged a violation of Section 43(a) that dismissal was inappropriate: “[I]t is certainly possible that identifying a product as ‘ZOCOR generic’ would cause the ZOCOR mark to lose its ability to serve as a unique identifier of plaintiffs’ product.”

**d. Ownership of a Federal Registration as Defense to State Dilution Claims**

Section 43(c)(3) of the Act provides that ownership of a federal trademark registration is a “complete bar” against state law dilution claims. That defense, of course, depends on the ongoing existence of such a registration. Consequently, as one court confirmed, “where the plaintiff seeks cancellation of the defendant’s [registration] and is successful, the defendant loses its affirmative defense under [Section 43(c)(3)].”

**4. Section 42 Claims**

Section 42 of the Lanham Act provides that “no article of imported merchandise . . . which shall copy or simulate [a federally registered] trademark . . . shall be admitted to entry at any customhouse of the United States.” The statute is silent on the question of whether it is enforceable through a private cause of action, and this silence led one plaintiff to assert such a cause of action against a would-be importer of cigarettes bearing counterfeit marks; that same silence, however, led the defendants to move for the dismissal of this cause of action. The court denied the motion, explaining that “while [Section 42] does not itself provide a remedy to the holders of infringed trademarks, [Sections 32 and 35] authorize injunctive relief and damages, respectively, for a violation of ‘any right of the registrant of a mark registered in the Patent and Trademark Office,’” those rights presumably including the protection of Section 42. In the process,

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789. Id. at 748.
the court rejected an alternative argument advanced by the defendants, which was that they had never taken possession of the challenged goods before their seizure by Customs: “The importation of goods does not require that the goods clear Customs.”

5. Section 43(a) Claims

a. Passing Off and Reverse Passing Off

Allegations of reverse passing off have occurred with less frequency than their passing off counterparts since the Supreme Court’s 2003 decision in Dastar Corp. v. Twentieth Century Fox Film Corp., but they continued to be addressed by reported opinions over the past year. Some presented facts similar to those in Dastar and led to predictable results. Thus, for example, one district court granted a motion to dismiss a Section 43(a) claim grounded in the theory that the defendants had built a house using copies of the plaintiff’s architectural plans and falsely represented themselves to be the origin of the house’s design: “[B]ecause the signs in front of that house accurately identified those who physically produced that tangible object, the facts alleged by [the plaintiff] fail to state a claim of false designation of origin under the Lanham Act.” Another architecture firm advancing virtually identical allegations suffered the same fate when the court determined that “Dastar made it clear that there is no claim under the Lanham Act for copying, revising, and using a copyrightable work.”

790. Id.
Other reported opinions addressed reverse passing off claims on facts that were at least to some degree dissimilar to those in *Dastar*. For example, the Supreme Court’s holding in the earlier case led to the dismissal of claims of reverse passing off brought by one vaccine manufacturer against another.\(^{795}\) The complaint alleged that the plaintiffs owned a virus, which had been used by the defendants to manufacture a smallpox vaccine. In response to the defendants’ motion for summary judgment, the plaintiffs argued that the defendants had passed off the plaintiffs’ virus as a product of the defendants. The court was unimpressed and instead dismissed the plaintiffs’ case as a matter of law on the ground that the parties’ products were distinguishable: Because the product offered by the defendants actually had originated with the defendants, any claim that the defendants had misrepresented the origin of their product could not withstand scrutiny.\(^{796}\)

Two reported opinions addressing arguably similar facts in the genetically engineered seed market resulted in similar outcomes. In the first, the counterclaim plaintiff challenged the counterclaim defendants’ sale of corn seeds allegedly derived from seeds featuring a particular trait, which had been developed by the counterclaim plaintiff.\(^{797}\) The court held that *Dastar* barred a reverse passing off claim under Section 43(a) on these facts. According to its analysis, under *Dastar*, “the focus of the case at bar is on what the product is: If the product is considered the seed, [the counterclaim plaintiff] has no claim, but if the product is considered the . . . trait, [the counterclaim plaintiff] may have a claim.”\(^{798}\) Ultimately, the court concluded that because “the seed is the tangible product being sold in the marketplace,” the counterclaim defendants’ truthful identification of themselves as the origin of the seed they sold precluded a finding of liability.\(^{799}\)

The lead defendant in the first seed case made an appearance in the second, only this time as a plaintiff.\(^{800}\) The gravamen of that party’s unfair competition claim in the second case was that the defendant had repackaged its wheat seed using labels that identified the defendant as the origin of the seed. Reversing a jury finding of reverse passing off, the Federal Circuit quoted *Dastar* to hold that reverse passing off “occur[s] when a person

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\(^{796}\) See id. at 364-65.


\(^{798}\) Id. at 651.

\(^{799}\) See id. at 652.

‘misrepresents someone else’s goods or services as his own.’

According to the court, a plaintiff seeking to recover for reverse passing off must demonstrate that (1) the work in question originated with the plaintiff; (2) the origin of the work was falsely designated by the defendant; (3) the false designation of origin was likely to cause consumer confusion; and (4) the plaintiff suffered harm as a result. Holding that the plaintiff had failed to carry its burden as to the fourth factor, the court observed that “[a] person who purchased [the plaintiff’s product] that was marked [as that of the defendant] could never know that it had purchased the [the plaintiff’s] trademarked product, and could thus could have drawn no conclusions about the merits or quality of that product.” Indeed, the court concluded, “[t]he only conceivable injury [the plaintiff] could incur from [the defendant’s] conduct would involve the propagation of the misbranded . . . seed, creating a source of . . . wheat that would compete with properly branded . . . wheat [produced by the plaintiff].” Because there was no evidence in the record that the seed had been sold for the same purpose as that authorized by the plaintiff, however, the plaintiff’s claims fell short as a matter of law.

By far and away the most novel analysis grounded in Dastar had its origins in a book that had been allegedly represented to the plaintiff as autobiographical in nature. On the basis of this representation, the plaintiff purchased an option on the film rights to the book, only to have its investment unravel when the author’s public persona and her book were exposed as wholly fictional creations. Seeking to make itself whole, the plaintiff filed suit, asserting, among other things, that the defendants had disseminated a false representation of the origin of the book in commerce by inaccurately presenting the fictional author as the real thing. The court, however, would have none of this theory. On the contrary, it granted a motion by the publisher of the book to dismiss the plaintiff’s Section 43(a) claims on the basis that “plaintiff cannot prevail on its Lanham Act claim because, pursuant to Dastar, [the publisher] is the ‘origin’-that is, the manufacturer-of the physical books in which the novel . . . is printed, and plaintiff does not claim that [the publisher] was not

801. Id. at 1278 (quoting Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28 n.1 (2003)).
802. See id. at 1277.
803. Id. at 1277.
804. Id.
805. See id. at 1279.
properly designated as such.”\textsuperscript{807} Moreover, any liability as to the individual defendants, who had carried out the alleged fraud personally, was similarly barred because:

the holding in \textit{Dastar} that the word “origin” in § 43(a)(1)(A) refers to producers, rather than authors, necessarily implies that the words “nature, characteristics, [and] qualities” in § 43(a)(1)(B) cannot be read to refer to authorship. If authorship were a “characteristic[]” or “qualit[y]” of a work, then the very claim \textit{Dastar} rejected under § 43(a)(1)(A) would have been available under § 43(a)(1)(B).\textsuperscript{808}

In contrast, another plaintiff invoking Section 43(a)(1)(B) as an end run around \textit{Dastar} met with a more receptive judicial audience.\textsuperscript{809} The plaintiff alleged that he had been deprived of credit as the producer of a movie on which he’d worked; he did not, however, make any apparent claims to ownership of the underlying creative material. Denying the defendant’s \textit{Dastar}-based motion to dismiss, the court noted that the Supreme Court decision had turned on the proper interpretation of the word “origin” in Section 43(a)(1)(a). By way of contrast, “Congress did not incorporate any such reference into section 43(a)(1)(B), the false advertising prong of the Lanham Act.”\textsuperscript{810} Moreover, “[t]he \textit{Dastar} Court explicitly left open the possibility that some false authorship claims could be vindicated under the auspices of this section’s prohibition on false advertising.”\textsuperscript{811} Because “plaintiff has pleaded that the film’s credits and promotional materials wrongly credit defendant as being producer,” the court held that the complaint adequately stated a claim under Section 43(a)(1)(B).\textsuperscript{812}

And finally, and apparently because the defendant failed to invoke \textit{Dastar} in support of a motion to dismiss, one court allowed to a reverse passing off claim of rather dubious merit to go forward.\textsuperscript{813} The case was a conventional copyright action in which the plaintiff alleged that the defendant had copied plans for a commercial real estate development anchored by a grocery store by building that grocery store. Hedging its bets, the plaintiff also claimed that the defendant had misrepresented the origin of the grocery store’s design by failing to credit the plaintiff as the creator. Under \textit{Dastar}, of course, a claim for the reverse passing off

\textsuperscript{807}. \textit{Id.} at 398.
\textsuperscript{808}. \textit{Id.} at 400 (brackets in original).
\textsuperscript{810}. \textit{Id.} at 261.
\textsuperscript{811}. \textit{Id.}
\textsuperscript{812}. \textit{Id.} at 262.
of a creative work will not lie unless a defendant has claimed to be the origin of the creative work itself; a claim to be the origin of a copy of the creative work just won't do.\textsuperscript{814} Despite this rule, the court cited a pre-\textit{Dastar} authority holding that “the defendant has taken the plaintiff’s product and has represented it to be his own work. It is difficult to imagine how a designation of origin of a product could be more false, or could be more likely to cause confusion or mistake as to the actual origin of the product.”\textsuperscript{815}

\textbf{b. False Endorsement}

When first recognized under Section 43(a), the federal cause of action for false endorsement was a \textit{sui generis} tort, but it has increasingly become treated as a variation on a conventional trademark infringement claim. Both an example of, and an exception to, this phenomenon came in a case brought to protect “the voice of God,” whose owner was also known as John Facenda, the long-time narrator for N.F.L. Films.\textsuperscript{816} The plaintiffs were Facenda’s estate and heir, who objected to the use of a thirteen-second clip of the narrator’s voice in a self-styled documentary to promote a video game licensed by the N.F.L.

Reviewing the parties’ cross-motions for summary judgment, the court noted that “[a] celebrity is entitled to vindicate property rights in his or her identity under [Section 43(a)] because he [or she] has an economic interest in his identity akin to that of a traditional trademark holder.”\textsuperscript{817} Consistent with this observation, the court held that likelihood of confusion was a prerequisite for relief and that the multifactored test for infringement was fully applicable in that context.\textsuperscript{818} It then inconsistently concluded that “[b]ecause the . . . factors are designed for competing products, they cannot be applied in a celebrity endorsement case without a great deal of adjustment and reinterpretation of terms.”\textsuperscript{819} The test ultimately applied by the court therefore took into account: (1) the degree of recognition of the plaintiff among the relevant segment of the population; (2) the relatedness of the fame or success of the plaintiff to the defendant’s product; (3) the similarity of the likeness used by the defendant to the actual plaintiff; (4) the defendant’s intent in selecting the plaintiff’s likeness; (5) the

\textsuperscript{814} \textit{See Dastar}, 539 U.S. at 27-38.

\textsuperscript{815} \textit{Tiseo Architects}, 431 F. Supp. 2d at 742.


\textsuperscript{817} \textit{Id.} at 503.

\textsuperscript{818} \textit{See id.} at 504-10.

\textsuperscript{819} \textit{Id.} at 510.
likelihood of expansion of the parties’ product lines; (6) the marketing channels used by the parties; (7) any evidence of actual confusion; and (8) the likely degree of purchaser care. Because in the court’s estimation the evidence of record bearing on these factors pointed to only one conclusion, the court entered summary judgment in the plaintiffs’ favor.

The likelihood of confusion inquiry played a similar role in an action brought by the actor Andy Griffith against a candidate for sheriff in Grant County, Wisconsin, who had changed his name from William Fenrick to Andy Griffith shortly before his unsuccessful election bid. Brushing aside the actor’s objections to the candidate’s announced plans to run for office again using the same name, the court entered summary judgment of nonliability:

There is no evidence that anyone believed that plaintiff sponsored or approved defendant’s candidacy. There is no logical reason to think that having the same name as another implies sponsorship by the person with whom you share the name. It is likely that defendant’s use of the name Andy Griffith in his campaign would cause potential voters to connect it to the famous actor and to his famous sheriff character. However, there is no basis or evidence to suggest the leap to confusion as to sponsorship by plaintiff. Some voters may have been aware that defendant had changed his name for the purpose of gaining an attention grabbing advantage in the election, but this is not the basis for a claim as to sponsorship.

The likelihood of confusion inquiry similarly played a role in one court’s denial of cross-motions for summary judgment. The plaintiff was a psychologist of no small repute, who had developed a career guide used by over twenty million people. The defendant had published the plaintiff’s guide pursuant to an agreement with terms that eventually became hotly disputed between the parties. Specifically, the defendant believed that the agreement authorized it to publish an Internet version of the guide, which it did over the plaintiff’s objections. Attempting to determine whether the defendant’s promotion of the online version of the guide falsely represented that the plaintiff had endorsed it, the court acknowledged that “the means by which the likelihood of confusion

820. See id. at 510-13.
821. See id. at 513.
822. See Griffith v. Fenrick, 486 F. Supp. 2d 848 (W.D. Wis. 2007).
823. Id. at 852.
[required by Section 43(a)] must be proved is not entirely clear."\textsuperscript{825} Turning to the multifactored test for infringement in the absence of a controlling authority setting forth an alternative, the court concluded that, "[i]n the event [the plaintiff’s] consent is contractually established, no confusion could result; in the event [the plaintiff’s] consent is not established, confusion seems likely to result as the user would believe herself to be using a product made, endorsed, or approved by [the plaintiff] when in reality [the plaintiff] had not taken any of these actions."\textsuperscript{826} As a consequence, neither party was entitled to summary judgment.

c. False Advertising and Commercial Disparagement

Statements of the test for liability for false advertising under federal law fell into two categories. On the one hand, the majority of courts to address the issue adopted variations on the following multifactored test:

To prevail on a claim of false advertising under the Lanham Act, a party must prove: "1) that the defendant has made false or misleading statements as to his own product [or another’s]; 2) that there is actual deception or at least a tendency to deceive a substantial portion of the intended audience; 3) that the deception is material in that it is likely to influence purchasing decisions; 4) that the advertised goods traveled in interstate commerce; and 5) that there is a likelihood of injury to the plaintiff in terms of declining sales, loss of good will, etc."\textsuperscript{827}

On the other hand, however, Second Circuit courts applied a less complex test: "To prevail on a false advertising claim, ‘a plaintiff must demonstrate the falsity of the challenged advertisement, by proving that it is either (1) literally false, as a factual matter; or (2)

\textsuperscript{825.} Id. at 683.

\textsuperscript{826.} Id. at 684.

implicitly false, *i.e.*, although literally true, still likely to mislead or confuse consumers.”828 Whatever the precise test applied, “[w]here a plaintiff proceeds on a claim of implied falsehood, the plaintiff ‘must demonstrate, by extrinsic evidence, that the challenged [advertisements] tend to mislead or confuse consumers.”829 At its most effective, that extrinsic evidence takes the form of scientific survey evidence: “Typically, an implied claim is proven through the use of a consumer survey that shows a substantial percentage of consumers are taking away the message that the plaintiff contends the advertising is conveying.”830

(1) Proving Use in “Commercial Advertising and Promotion” by Defendants

After preoccupying courts over the past few years, the threshold requirement under Section 43(a) that a false advertising plaintiff demonstrate that the defendant’s conduct constituted “commercial advertising and promotion” took something of a breather. In one of the relatively rare cases to address the issue, a false advertising claim based on the transmittal by the defendants of demand letters addressed to customers of alleged infringers of the defendant’s utility patent failed to make the grade.831 Applying well-established Seventh Circuit authority, a district court from that jurisdiction held that the defendants were entitled to the dismissal of the plaintiffs’ false advertising cause of action for failure to state a claim upon which relief could be granted. “Seventh Circuit law is clear: consumer letters do not constitute false or misleading commercial advertising or promotion.”832

Another plaintiff unable to meet this requirement was a freelance musician and producer who believed that the defendants had misappropriated one of his compositions.833 He asserted that an insert for an album on which the song appeared inaccurately allocated the authorship and production credits for the song and that the alleged inaccuracies constituted false advertising.

828. Merck & Co. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402, 417 (S.D.N.Y. 2006) (quoting McNeil-PPC, Inc. v. Pfizer Inc., 351 F. Supp. 2d 226, 248 (S.D.N.Y. 2005)); *see also* Premier Nutrition, 475 F. Supp. 2d at 1006 (“To establish falsity under section 43(a), a plaintiff must show either that the advertising was literally false or that it was literally true but likely to mislead or confuse consumers.”). For an example of a district court outside the Second Circuit adopting this test, see Diamond Triumph Auto Glass, Inc. v. Safelite Glass Corp., 441 F. Supp. 2d 695, 705 (M.D. Pa. 2006).

829. *Id.*

830. *Id.*


832. *Id.* at 710.

Entering summary judgment in the defendants’ favor, the court disagreed:

To qualify as commercial advertising and promotion, the communication must be commercial speech by a defendant in commercial competition with plaintiff for the purpose of influencing consumers to purchase the defendant’s goods and must be disseminated sufficiently to the relevant purchasing public in such a way as to constitute advertising or promotion.

. . . [T]he CD inserts that defendants distributed with the Album do not qualify as commercial advertising or promotion. The public retrieved the CD inserts only after buying the Album, and therefore they could not have had a material effect on purchasing decisions.\(^\text{834}\)

Courts were not uniformly inclined to dismiss plaintiffs’ false advertising claims on this basis. In a case turning on whether the defendant’s website had misled college applicants into authorizing the sale of their personal information to purveyors of student loans, the defendant argued that the description on the site of its “opt-in” procedures was not commercial advertising or promotion within the scope of Section 43(a).\(^\text{835}\) On the defendant’s motion for summary judgment, the court held that:

Before a plaintiff can establish a defendant has violated the Lanham Act, . . . [it] must satisfy the requirements of § 43(a)(1)(B) by showing the defendant’s alleged “commercial advertising or promotion” involves “(1) commercial speech, (2) by a defendant who is in commercial competition with plaintiff, (3) for the purpose of influencing consumers to buy defendant’s goods and services,” and “(4) must be disseminated sufficiently to the relevant purchasing public to constitute ‘advertising’ or ‘promotion’ within that industry.”\(^\text{836}\)

Ultimately, the court concluded that there were factual disputes as to the second, third, and fourth factors and therefore denied the defendant’s motion for summary judgment as a matter of law.\(^\text{837}\)

Another court similarly deferred resolution of the issue until trial.\(^\text{838}\) In a claim of false advertising advanced against a competitor in the automobile glass replacement business, the

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\(^{834}\) Id. at 1034 (citations omitted).


\(^{836}\) Id. at 1077-78 (quoting Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co., 173 F.3d 725, 735 (9th Cir. 1999)).

\(^{837}\) See id. at 1078-79.

counterclaim plaintiff took issue with the counterclaim defendant’s transmittal to insurance carriers of letters complaining about the counterclaim plaintiff’s claims administration practices. Although the counterclaim defendant argued that its letters had not been intended to influence the carriers to use the counterclaim defendant’s services, the court noted that the counterclaim defendant had made sales pitches to some of the same carriers that had received the letters. Thus, “[the counterclaim plaintiff] criticized its competitor during its campaign to increase its business, it sent the letters to some of the same companies it sought as clients, and the letters criticized the exact segment of [the counterclaim plaintiff’s] business that [the counterclaim defendant] sought to increase.”839 Not surprisingly, therefore, the court held that “a reasonable jury could find that disparaging comments to a potential client regarding a competitor’s business were made for the purpose of influencing that customer to use its goods or services.”840

(2) False or Misleading Statements of Fact

“Puffery”

A challenge to an allegedly literally false statement of fact requires a demonstration of a statement of fact in the first instance, and a number of defendants argued unsuccessfully over the past year that the absence of factual assertions rendered their advertising nonactionable “puffery.”841 Quoting prior authority from its reviewing court, one Eighth Circuit district court held that:

A factual claim is a statement that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification. To be actionable, the statement must be a specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact.842

839. Id. at 720.
840. Id.
As the court further explained, “[t]o put it another way, false
descriptions of specific or absolute characteristics of a product and
specific, measurable claims of product superiority based on product
testing are actionable. On the other hand, statements that are
‘puffery’ are not actionable.”

The occasion for this restatement of the law was a dispute
between two manufacturers of heavy duty veterinary needles,
which were at risk of breaking off when used on large feed
animals. The counterclaim defendant advertised its needles as
“100% detectable” and having “superior detectability,” meaning
that broken ones could be detected before entering the food
supply. Seeking to fend off allegations of literally false
advertising, the counterclaim defendant argued that the word
“detectable” was not a statement of fact, but was instead mere
puffery. The court was unconvinced, holding that “[d]escribing
needles as ‘detectable’ is not merely an exaggerated statement of
bluster or boast upon which no reasonable consumer could rely,
nor is it a vague and highly subjective claim of product superiority
or a bald assertion of superiority.” Indeed, the court noted, the
counterclaim defendant had made its claims “in the context of, and
by explicit reference to, specific testing, using specific procedures,
to quantify and measure ‘detectability’ for purposes of predicting
whether needles would be detected in animal carcasses under
circumstances reasonably likely to occur during meat
processing.” Because these circumstances demonstrated an
intent by the counterclaim defendant itself to base its claims on
empirical verification, its claims of puffery were without merit.

An attempted demonstration of puffery similarly failed in a
Section 43(a) false advertising action brought in Texas state
court. The plaintiff, a manufacturer of utility bodies and tops for
commercial vehicles, objected to advertising by a competitor that,
although not expressly identifying the plaintiff by name,
nevertheless referred to “Brand X.” Among other things, the
advertising advised consumers that bodies sold by the defendant
were “[e]ngineered and built with quality materials to be long
lasting and durable,” but that “Low Quality Brand X Bodies” had
“[n]o engineering and [were] built with sub-standard materials.”
The defendant characterized the advertising as nonactionable

843. Id. at 987.
844. See id. at 975.
845. Id. at 988.
846. Id.
847. See id.
849. Quoted in id. at 630.
“rhetorical hyperbole,” but a panel of the Texas Court of Appeals concluded otherwise:

Although there may be some contexts in which reference to a product as “substandard” is mere opinion, this is not one of them. The types of materials [the plaintiff] uses, as well as their quality and durability when compared to the materials used by [the defendant] and other manufacturers, are facts that can be verified. Further, the statement is juxtaposed against a statement that [the defendant’s] products are built with quality materials to be long lasting and durable. Thus, given its context and verifiability, a reader of ordinary intelligence could perceive this statement as one of fact: that the materials [the plaintiff] uses in manufacturing its utility bodies and toppers are of lesser quality than those typically used in the industry and, unlike [the defendant’s] products, are not durable and will not last very long. Therefore, we hold that the . . . statement that [the plaintiff’s] products are “built with sub-standard materials” is not mere opinion but is a statement of fact.850

These holdings notwithstanding, however, the Second Circuit ratified a claim of puffery in a case brought by a cable television provider against a competitor that provided satellite service.851 Among other things, the defendant’s advertising featured a screen divided by a white line, with one half depicting a clear picture labeled with the defendant’s brand and the other half depicting “an extremely blurry, highly pixellated and indistinct image labeled ‘OTHER TV.’”852 Having no choice but to admit that the “other TV” image featured exaggerated distortion, the defendant argued that its presentations were nonactionable puffery that no reasonable consumer would believe. The district court was unreceptive, holding instead that “in proving that, in the relatively new world of HDTV equipment, many new buyers may not have sufficient knowledge of the ways in which HDTV sets operate to recognize as false [the defendant’s] distorted image depiction.”853

On appeal, however, the Second Circuit reversed.854 It accepted declaration testimony by a defense witness that the advertisement “depict[ed] the picture quality of cable television as a series of large colored square blocks, laid out in a grid like graph

850. Id. at 631.
852. Id. at 304.
853. Id. at 308.
854. See Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144 (2d Cir. 2007).
paper, which nearly entirely obscure the image.” Having done so, the court concluded that “the [advertisement’s] depictions of cable are not just inaccurate; they are not even remotely realistic. It is difficult to imagine that any consumer, whatever the level of sophistication, would actually be fooled ... into thinking that cable’s picture quality is so poor that the image is ‘nearly entirely obscure[d].’” Accordingly, it held that the district court had abused its discretion in preliminarily enjoining the advertisements.

**Literally False Claims**

Even if successful in defeating claims of mere puffery, false advertising plaintiffs were not always successful in establishing the literal falsity of their opponents’ advertising practices. For example, in a dispute between two manufacturers of veterinary needles, the counterclaim defendant’s advertising recited that the “superior detectability” of its needles made them “100% detectable” if broken off in large feed animals, and therefore less likely to wind up in the food supply. Having found that the representations of detectability were objectively verifiable and therefore not puffery, the court held that the same evidence supporting this finding refuted the counterclaim plaintiff’s allegations of falsity. Specifically, the specific methodology used to justify the claims had been laid out for consumers in the counterclaim defendant’s advertising materials. Expert testimony adduced by the counterclaim plaintiff that a different methodology had produced different results was deemed irrelevant to the accuracy of claims corroborated by the methodology actually used (and described) by the counterclaim defendant. With the counterclaim plaintiff unable to point to any anecdotal evidence that any broken needle produced by the counterclaim defendant had failed to be detected before finding its way into a consumer’s foods, the court rejected the counterclaim plaintiff’s request for a preliminary injunction against the counterclaim defendant’s claims of detectability.

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855. *Quoted in id.* at 160.
856. *Id.* at 161.
857. *See id.*
860. *See id.* at 989.
861. *See id.*
862. *See id.* at 989-80.
Rejection of allegations of literal falsity also occurred in a dispute between two automobile glass replacement services, in which the defendant also served as an administrator for a number of insurance companies.\footnote{See Diamond Triumph Auto Glass, Inc. v. Safelite Glass Corp., 441 F. Supp. 2d 695 (M.D. Pa. 2006).} One aspect of its administrative duties was the operation of a call center that fielded inquiries from policyholders of various insurers. Employees manning the call center were provided with insurer-specific scripts that initially thanked callers for contacting the particular insurer whose number had been called. The scripts then advised callers that, although the callers could have their glass replaced by a repair shop not on the insurer’s approved list, such a shop “may” charge more than the insurer was willing to pay and that the insurer “may” not guarantee the quality of the work.\footnote{See id. at 703.} The plaintiff challenged both of these practices as literally false, the former because the individuals answering the phone were employees of the defendant and not of the insurer in question, and the latter because the prices charged by the plaintiff were not higher than those on the insurer’s list of approved repair shops.

Entertaining the defendant’s motion for summary judgment, the court rejected both theories. As it concluded of the initial greeting in the scripts, “[t]he plaintiff ignores [the defendant’s] agreements with the insurance companies that both affiliated the [call centers] with the insurance companies for the purpose of providing their claims administration services and authorized the [centers] to represent themselves as the [insurers’] representatives.”\footnote{Id. at 706.} Moreover, as to the scripts’ warnings of possible higher costs and an absence of warranty coverage:

The scripts . . . did not represent that [the plaintiff’s] pricing \textit{would} exceed the coverage, or that the workmanship \textit{would} be of lower quality, or [the plaintiff] would not provide a warranty. Rather, [the scripts] represented that the pricing \textit{may} be higher, the services \textit{may} not be the same, and [that] the \textit{insurance company} could not guarantee the work.\footnote{Id. at 707 (footnotes omitted).}

Accordingly, the court held that the defendant was entitled to summary judgment on the plaintiff’s claims of literally false advertising.\footnote{See id. at 728.}

The perennial debate in some quarters over the relative merits of cable versus satellite television resulted in a partial victory for a
cable provider in an action alleging literally false advertising.\textsuperscript{868} One target of the plaintiff’s ire were several advertisements for digital high definition (HD) television by its satellite provider competitor, DIRECTV, two of which recited “for picture quality that beats cable, you’ve got to get DIRECTV.”\textsuperscript{869} Upon receiving an objection from the plaintiff, the defendant modified this tag line to read “for an HD picture that can’t be beat, get DIRECTV.”\textsuperscript{870}

Considering the plaintiff’s motion for a preliminary injunction, the court found that “the undisputed factual record here establishes that DIRECTV and [the plaintiff] provide HD pictures of equal quality.”\textsuperscript{871} In an attempt to escape the consequences of this finding, DIRECTV argued that its “can’t be beat” references were intended to establish the overall quality of its services and not that its customers merely received better digital HD picture quality. The court declined to accept this contention. It instead held with respect to one of the revised commercials that “DIRECTV’s argument that this commercial is not about DIRECTV’s HD capabilities but is instead referring to the ‘overall picture quality’ of DIRECTV strikes the Court as disingenuous at best, especially in light of the fact that the commercial only makes reference to HD capability and not to any of DIRECTV’s other services.”\textsuperscript{872} And, focusing on a statement in the other revised commercial questioning the logic of a consumer who would “settle” for cable, the court observed that “[f]or it to be illogical for a consumer to ‘settle’ for cable’s HD services, cable’s HD services must, in some material respect, be inferior to those of DIRECTV.”\textsuperscript{873} Because the plaintiff was therefore likely to succeed on its claims that the advertisements were literally false, a preliminary injunction was issued and was later upheld by the Second Circuit.\textsuperscript{874}

\textit{Accurate, but Misleading, Claims}

Although survey evidence may not be required in all situations in which a plaintiff seeks to prove the materiality of a challenged statement to consumers,\textsuperscript{875} one opinion from the Seventh Circuit

\textsuperscript{868} See Time Warner Cable, Inc. v. DIRECTV, Inc., 475 F. Supp. 2d 299 (S.D.N.Y.), aff’d in relevant part, 497 F.3d 144 (2d Cir. 2007).
\textsuperscript{869} Quoted in id. at 303.
\textsuperscript{870} Quoted in id. at 303-04.
\textsuperscript{871} Id. at 306.
\textsuperscript{872} Id.
\textsuperscript{873} Id.
\textsuperscript{874} See Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144 (2d Cir. 2007).
\textsuperscript{875} For a rare example of a plaintiff successfully relying upon an alleged statement by a buyer that an allegedly false representation was an “important” or “major” consideration in
demonstrated the burden faced by plaintiffs unable to prove literal falsity and unwilling to invest in such a survey. The plaintiff was a hard-luck youth baseball coach who believed that a motion picture featuring a similar character was based on, and inaccurately portrayed, him. In support of the theory that the story in the film was his, the plaintiff introduced affidavits from 18 acquaintances familiar with him. Affirming entry of summary judgment in the defendants’ favor, the Seventh Circuit noted that “[g]iven that this theory requires proof of the impact of the film on a substantial segment of the viewership, we agree with the district court that the 18 affidavits were not enough.”

Expert witness testimony in lieu of survey evidence was similarly found wanting in a case brought by an automobile glass replacement service against a competitor that also operated call centers for a number of insurance companies. The gravamen of the plaintiff’s complaint was that certain statements in scripts read by employees of the call centers misled callers into believing that the centers were operated by the insurance carriers themselves and that services provided by the plaintiff would cost more, be of lower quality, and not be guaranteed. In support of its argument that the statements were actionable even if literally true, the plaintiff introduced testimony by an expert in consumer behavior who had reviewed transcripts of consumers’ depositions in the cases, as well as conversations recorded by the call centers. She did not, however, conduct any surveys, nor did she review agreements between the defendant and the insurers that authorized the defendant to operate the call centers. She concluded that the expert’s report documented only the plaintiff’s intent to persuade callers to use the plaintiff’s services, rather than those of competitors, something that the court considered nonactionable. Against this backdrop, the plaintiff’s identification of a single purchasing decisions to prove materiality, see Optivus Tech., Inc. v. Ion Beam Applications S.A., 469 F.3d 978, 987-88 (Fed. Cir. 2006) (vacating entry of summary judgment in defendants’ favor); cf. Wilchcombe v. Teevee Toons Inc., 82 U.S.P.Q.2d 1027, 1034 (N.D. Ga. 2007) (entering summary judgment in favor of defendants but noting in dictum that “[i]n order to establish that [the challenged advertisement] was misleading, the Eleventh Circuit requires that [the] plaintiff present evidence of deception in the form of consumer surveys, market research, expert testimony, or other research”).

876. See Muzikowski v. Paramount Pictures Corp., 477 F.3d 899 (7th Cir. 2007).
877. Id. at 908.
879. See id. at 708-09.
880. See id. at 710.
allegedly confused consumer was an insufficient basis for denying the defendant’s motion for summary judgment.881

In contrast, a more typical showing of materiality in the form of survey evidence met with success.882 A manufacturer of FDA-approved pharmaceutical products, the plaintiff objected to the defendants’ marketing of competitive products that had never been approved by the FDA for their intended purpose. The plaintiff’s specific objections focused on such things as: (1) the use by the defendants of labels that omitted certain FDA-required adverse drug interaction notices and included inaccurate dosage information; (2) the appearance of the defendants’ goods on “clinical/price lists” that allegedly created the false impression that the FDA had approved the goods; (3) advertising by third-party retailers of the defendants’ goods that also suggested FDA approval; and (4) similar suggestions of administrative endorsement on the defendants’ website.883 Although the court found that the plaintiff had failed to demonstrate a likelihood of success on the merits of the first, third, and fourth of these theories, the situation was different as to the second in light of the plaintiff’s submission of favorable survey evidence. As the court noted, “[the plaintiff] has submitted survey reports documenting that anywhere from a third to nearly ninety percent of pharmacists view defendants’ [competitive product] as being FDA-approved because it is marketed on the clinical/price lists.”884 With the validity of the surveys not challenged by the defendants, the court accepted the plaintiff’s allegations that consumers were likely to be misled by this conduct.

(3) Bad Faith Statements Related to the Enforcement of Patent Rights

Under the Federal Circuit’s forgiving approach to false advertising, the owner of a patent has the right to “enforce its patent, and that includes threatening alleged infringers with suit.”885 Although patentees seeking to ward off infringements through the transmittal of demand letters to competitors therefore generally occupy a place of privilege,886 one district court identified

881. See id. at 711-12.
883. See id. at 931.
884. Id. at 946.
and applied the exception to this rule in an opinion denying a motion to dismiss false advertising claims grounded in such a letter. The court properly observed that the protection afforded a patentee under this doctrine was limited to instances in which the patentee’s claims of infringement had been advanced in good faith. Because the false advertising claim before the court included an allegation that the defendant had transmitted a demand letter in bad faith, that claim properly remained in the case under federal circuit doctrine.

(4) Causation

Causation played a central role in few false advertising cases over the past year. In one case in which it did make an appearance, the plaintiff challenged the accuracy of inserts to an album containing a song that the plaintiff alleged had been misappropriated from him. The plaintiff wrote portions of, and produced, the song, while the defendants performed and distributed it. Among other deficiencies in the plaintiff’s false advertising claim under Section 43(a) was his inability to demonstrate an injury caused by the alleged inaccuracies of the insert. As the court explained in granting the defendants’ motion for summary judgment, “[plaintiff] has provided no evidence that defendants’ false advertising or promotion of the Album has caused or will cause him a loss of sales of his work, and this is unlikely given that there is no evidence plaintiff is in competition with defendants.”

d. Other Section 43(a) Claims

As usual, the broad language of Section 43(a) led to plaintiffs asserting a variety of causes of action under it, many of which failed to bear fruit. One unsuccessful Section 43(a) action was grounded in the defendant’s inclusion of an email address of the plaintiff’s president in promotional materials distributed by the defendant. Granting the defendant’s motion for summary judgment, the court concluded that the email address did not rise to the level of a false designation of origin. Rather, it held, “[t]he mere presence of [the] e-mail address, in embedded form on one

888. Id. at 708.
890. Id. at 1035.
line of a multi-page document, is insufficient to prove a likelihood of confusion. . . .”

The mere status of a trademark infringement defendant as a trademark infringement defendant also proved an insufficient basis for liability under Section 43(a). Having been sued by the plaintiff, the defendant responded by claiming that the lawsuit itself constituted an act of unfair competition. In denying the defendant’s motion for summary judgment on this theory, the court held that “[a]s to federal law, the Lanham Act prohibits false designations of origin or misleading descriptions of goods or services which are likely to cause confusion, and therefore does not contemplate such a claim.” Of equal importance, “[the defendant] simply has not made a showing that, as a matter of law, [the plaintiff] brought the suit in bad faith for an improper purpose. Additionally, in response to [the defendant’s] arguments [the plaintiff] has raised the defense of reliance on counsel, which raises an issue of fact precluding summary judgment.”

Another notable invocation of Section 43(a) was by a Fifth Circuit plaintiff challenging a competitor’s importation of caskets that failed to comply with federal country-of-origin marking requirements. According to the plaintiff, the defendant’s violation of the requirement under the Tariff Act of 1930 that the caskets be labeled “Made in China” constituted a per se violation of Section 43(a). On the plaintiff’s motion for summary judgment, the court disagreed. It interpreted past Fifth Circuit authority as reflecting a reluctance to interfere with or predict action by administrative agencies charged with responsibility for administering technical laws such as the Tariff Act. According to the court, that reluctance also extended to recognition of private causes of action where none existed under the statutory or regulatory scheme at issue. Accordingly, the court held, “[the plaintiff’s] theory that a Tariff Act violation constitutes a per se violation of § 43(a) is not legally viable.”

892. Id. at 1127.
894. Id. at 331.
895. Id.
899. See id.
900. Id. at 580.
6. Cybersquatting Claims

The Sixth Circuit offered the following explanation of the Anticybersquatting Consumer Protection Act (ACPA)\(^{901}\) and the test for liability under it:

The [ACPA] was enacted to curb “the proliferation of cybersquatting-the Internet version of a land grab.” With respect to a famous mark, [the] ACPA provides that a person will be civilly liable when he or she has a bad faith intent to profit from the mark, and “registers, traffics in, or uses a domain name that . . . is identical or confusingly similar to or dilutive of that mark.”

In order to prevail under the ACPA, a plaintiff must show that a defendant’s use of a domain name was done in bad faith. [The] ACPA provides a list of nine nonexclusive factors which a court should consider in determining whether a defendant acted in bad faith. . . .\(^{902}\)

A plaintiff under the ACPA who is unable to obtain personal jurisdiction over a registrant may opt to bring an *in rem* action against the offending domain name itself.\(^{903}\) The existence of personal jurisdiction over a registrant, however, will make it necessary to rely on the Act’s *in personam* cause of action.\(^{904}\)

*a. In Rem Actions*

Reported decisions in *in rem* cybersquatting actions against domains themselves have tailed off recently, but the past year did produce at least two decisions of note in this area. In one, the plaintiff was the owner of the AGRI SUPPLY mark for retail store services, the rights to which it sought to enforce against the agrisupply.com domain, itself owned by a Cayman Islands domiciliary.\(^{905}\) Having first satisfied the court that it had successfully served its complaint by publication, the plaintiff sought a default judgment after no answer was filed. Reviewing the allegations in the complaint, the court agreed that the domain had been registered in violation of the ACPA. Specifically, the plaintiff had averred that: (1) the registrant had no legitimate


\(^{904}\) See, e.g., Lucent Techs., Inc v. lucentsucks.com, 95 F. Supp. 2d 528 (E.D. Va. 2000) (dismissing *in rem* action in which the United States-based defendant was located by the plaintiff five days after filing).

interest in the domain; (2) a website accessible at the domain had been used to promote competitors of the plaintiff; (3) the domain corresponded to the plaintiff’s mark and corporate name; (4) the domain’s owner did not do business under the domain; (5) the domain’s owner was not making a legitimate noncommercial or fair use of it; and (6) the domain’s owner had been on the losing end of a number of prior proceedings. The court therefore concluded that “because the allegations against Defendant are deemed admitted against defendant by entry of default, and because Plaintiff has provided support for the well-pleaded elements of cybersquatting . . . under [15 U.S.C.] § 1125(d)(1), default judgment in favor of Plaintiff is granted.”

The second case turned on a more mundane procedural issue. Entertaining the plaintiff’s unopposed motion for summary judgment, the court took with issue with the service of the complaint in the action. It noted that the plaintiff had properly mailed copies of the complaint and amended complaint to the defendant, but pointed out that the ACPA required service by publication as well. Although concluding that the plaintiff was otherwise entitled to relief, the court therefore held that “the ACPA’s publication requirement [is] mandatory, even where a plaintiff has provided the registrant with actual notice of the civil action. The Court will not grant summary judgment in favor of Plaintiff unless Plaintiff can establish that it has publicized a notice of this action in [the registrant’s home town].”

b. In Personam Actions

The most notable reported opinions to issue from in personam actions under the ACPA over the past year generally involved domain registrations obtained for the purpose of offering critical commentary on the plaintiffs bringing the actions. For example, one dispute arose as a result of the defendants’ registration of various domains based on the names of a law firm and of two of its partners. The defendants used the domains for various websites that either promoted the defendants’ anti-abortion agenda or purported to parody the plaintiffs’ own site. Reviewing the ACPA’s statutory factors for evaluating registrants’ bad faith, the court held that a number favored the plaintiffs’ position: (1) the defendants had no rights in the words underlying the domains; (2) none of the domains contained any name by which any of the

906. See id. at 663-64.
908. Id. at 2021.
defendants were known; (3) the defendants had not previously used any of the domains in connection with the bona fide offering of goods and services; (4) the defendants had sought to divert Internet users to generate publicity for their cause; (5) the lead defendant had a past history of offering to exchange domains for valuable consideration; (6) the defendants had provided misleading contact information when registering their domains; and, finally, (7) the defendants had registered their domains knowing that they were identical or confusingly similar to the plaintiffs’ marks. 910 The court therefore entered summary judgment of liability on the plaintiffs’ claims under the ACPA.911

Although the Sixth Circuit has taken pains in the past to protect registrants of domains based on trademarks whose owners the registrants wish to criticize,912 one district court from that jurisdiction adopted a hard line on the subject.913 The plaintiffs were a real estate firm and its members, who challenged the registration and use by one of their former employees of a series of domains based on a trademark owned by the firm and on the names and address of the firm’s individual members. Now in competition with the plaintiffs, the former employee used one of the domains to broadcast emails criticizing the plaintiffs’ practice of not identifying for consumers all homes for sale in the parties’ geographic market. Not surprisingly, some of the homes allegedly omitted by the plaintiffs were those being marketed by the former employee.914

Entering a preliminary injunction against the defendants, the court brushed aside the argument that the domains in question had been registered without a commercial motive:

In the Court’s view, [the former employee] was simply displeased with the detrimental, economic effect on him and [the other defendants] of not having their homes for sale listed on the [plaintiffs’] website. The evidence shows that the Defendants had at least some hope of achieving commercial gain. . . . The Court finds that the [domains were registered] with a long-term financial motive in mind.915

In the final analysis, “the domain names have been used in direct relationship to Defendants’ real estate business and this use is not

910. See id. at 1013-14.
911. See id. at 1015.
914. See id. at 968-71.
915. Id. at 975.
analogous to non-commercial, critical speech otherwise protected by the First Amendment.”

An opinion from the Sixth Circuit itself demonstrated that even websites set up by enthusiasts of a plaintiff can result in violations of the ACPA. The defendant had registered an Internet domain based on a trademark of the plaintiff, an automobile manufacturer. At the associated website, the defendant initially offered branded merchandise ultimately found to be infringing and then later sold advertising space and email addresses. Although he attempted to coordinate his activities with a local dealer of the plaintiff, the defendant never received written permission for those activities, much less from anyone authorized by the plaintiff to give it. Despite the lack of authorization, the defendant posted a notice on his site claiming that he had a written agreement with the plaintiff, and this was a key factor in the failure of his appeal from a finding of cybersquatting as a matter of law. As the court explained of the plaintiff’s notice and similar statements in his press releases, “[i]t can be inferred that [the defendant] intended to divert these customers from purchasing goods and services from [the plaintiff’s] legitimate website.”

Not all plaintiffs prevailed on their in personam cybersquatting claims and, indeed, some lost as matter of law. For example, one court entered summary judgment in the defendant’s favor after concluding that, as of the defendant’s date of first use, “[the] plaintiff’s marks had not acquired secondary meaning . . . and were not distinctive.” The plaintiff’s case was not helped by the fact that the domain in question was a shortened form of a mark that the defendant had been using for years before receiving a challenge by the plaintiff. With the plaintiff apparently failing to offer any convincing evidence of the required bad faith, the court dismissed its claims under the ACPA as a matter of law. The defendant’s victory on this point may have been a Pyrrhic one, however, as the court subsequently applied much the

916. Id. at 968.
917. See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
918. Id. at 549.
919. See, e.g., Tillery v. Leonard & Sciolla LLP, 437 F. Supp. 2d 312, 328 (E.D. Pa. 2006) (declining, without extended analysis, to find that defendant law firm had acted in bad faith in maintaining Internet domain that incorporated surname of departed name partner).
922. See id. at 218-19.
same analysis to dismiss that defendant’s cybersquatting challenge to the plaintiff’s domain.923

As always, some opinions addressing claims of cybersquatting declined to reach a final disposition of the plaintiff’s claims on the merits. In one such dispute, the plaintiff used the service mark SEATTLE LAPTOP and had registered the www.seattlelaptop.com domain name.924 The subject of the plaintiff’s ire was the defendant’s registration of a total of eight domain names that “contain[ed] the concatenation ‘seattlelaptop,’ sometimes on its own, sometimes with an ‘s’ added, and sometimes with the word ‘repair’ appended.”925 Although the plaintiff argued in a motion for summary judgment that the defendant had acted with the requisite bad faith, the court was unconvinced. Noting that the defendant had registered “‘Seattle,’ ‘laptop,’ and ‘repair’ as domain names because it is a Seattle business that is engaged in selling and repairing laptops,” the court concluded that a finding of cybersquatting as a matter of law was inappropriate.926

In another case in which the merits of the plaintiff’s cybersquatting claims went unresolved, the lead defendant had registered a top-level domain corresponding to the personal name of the plaintiff, a former professional baseball player.927 Although the defendants entered into a consent judgment that obligated them to discontinue their use of the plaintiff’s name, the plaintiff nevertheless pursued an award of fees under Section 35. The district court denied the plaintiff’s fee petition and the Third Circuit affirmed. Chief among the considerations underlying this result were: (1) the defendants’ operation of two allegedly bona fide businesses under the name; (2) the absence of any evidence that the defendants had provided inaccurate contact information when registering their domain; (3) the fact that defendants had not registered multiple domains; and (4) the lack of an intent by the defendants to siphon business from the plaintiff’s own website. As the appellate court explained, “[w]hile applying the [statutory] factors is a holistic, not mechanical, exercise, we have little difficulty concluding that [the defendants] met the low threshold of having a colorable defense to [the plaintiff’s] cybersquatting claim.”928

923. See id. at 222.
925. Id. at 1703.
926. Id. at 1704.
927. See Green v. Fornario, 486 F.3d 100 (3d Cir. 2007).
928. Id. at 106 (citations omitted).
Finally, just as it is almost always premature to seek dismissal of allegations of infringement through a motion to dismiss for failure to state a claim, one court declined to throw out an *in personam* cause of action under the ACPA on such a motion. 929 In filing their motion, the defendants failed to recognize that they were necessarily conceding the accuracy of the complaint’s allegations. Thus, for example, a corporate defendant in the case argued that it could not be held liable for the use and registration of the domain names in question by an individual defendant, but the court noted that the complaint alleged that the defendants had acted as a group. Similarly, the defendants’ insistence that the complaint failed to allege the required bad faith intent to profit was unavailing, as the court held that “Plaintiffs have easily satisfied this requirement by explicitly alleging that Defendants registered the domain names in bad faith.” 930 Moreover, “[t]he averments in this regard—such as, for example, that Defendants’ websites are intended to confuse and drive away Plaintiffs’ customers, and tarnish Plaintiffs’ marks and goodwill to the commercial benefit of [the individual defendant], a direct competitor—must be credited at this point in the proceedings, even if [the individual defendant] claims they are mistaken.” 931

7. State and Common Law Claims

a. Preemption Issues

Section 301 of the Copyright Act of 1976 provides for the federal preemption of “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright,” 932 and this provision often has proven a stumbling block to plaintiffs seeking to advance state law causes of action in addition to copyright claims. 933 In advancing one of the more imaginative state law unfair competition causes of action in recent memory, one plaintiff chose to accuse the defendants not of copyright infringement, but instead of conspiracy to commit copyright infringement. 934 Granting the defendants’ motion to

930. Id. at 915.
931. Id.
dismiss this aspect of the plaintiff’s case, the court applied the usual test for determining whether preemption was appropriate, an inquiry that mandated consideration of whether: (1) the substance of the plaintiff’s state law claim fell within the subject matter of federal copyright law; and (2) the claim was equivalent to the exclusive rights granted by federal copyright law. Brushing over the plaintiff’s argument that its conspiracy claim required certain additional elements, the court granted the defendants’ motion to dismiss for failure to state a claim. According to its analysis, “regardless of the fact that a claim of conspiracy may require proof of elements different than those required to prove copyright infringement, the nature of the misconduct that conspiracy law seeks to redress is not qualitatively different from that addressed by contributory and vicarious infringement claims.”

The same analysis resulted in a similar result in an action presenting claims under Washington state law. The basis of the suit was the defendants’ alleged copying of the plaintiff’s website, which the plaintiff asserted constituted federal copyright infringement, federal unfair competition, and violations of state statutory and common law. In response to the defendants’ motion for partial dismissal, the plaintiff argued that its efforts to protect the “look and feel” of its website removed its state law claims from the ambit of those rights protected by the Copyright Act. The court disagreed. Not only was the appearance of the website within the subject matter of copyright law, the plaintiff’s statement of its state unfair competition claims incorporated its copyright cause of action by reference. Accordingly, although the court allowed the plaintiff to replead a claim for unjust enrichment, it otherwise dismissed the plaintiff’s state law causes of action grounded in the alleged copying of the site.

A holding of preemption was rendered in an action challenging the defendants’ alleged copying of copyrighted architectural plans through their construction of a house. In addition to a standard claim of copyright infringement, the plaintiff ambitiously sought relief under a series of state law causes of action alleging that the defendants had placed a sign outside of the house identifying them as the builders. The court held that the accuracy of this representation precluded the plaintiff from establishing an extra element of deceit that might distinguish its unfair competition and

935. Id. at 1342.
937. See id. at 1246-51.
copyright claims. In the absence of that extra element, the plaintiff's state law causes of action were preempted.\textsuperscript{939}

Other courts rejected preemption claims by defendants.\textsuperscript{940} One, for example, took issue with the suggestion that the Copyright Act preempted any application of the New York dilution statute\textsuperscript{941} to protect product designs.\textsuperscript{942} As the court characterized the defendant's argument, "the dilution statute of New York is preempted in this case because the alleged trade dress is either capable of or not capable of Copyright protection."\textsuperscript{943} In response, the court held that "[the defendant] is correct to the extent that any item necessarily falls into one of two categories—those that are capable of copyright protection and those that are not. However, this unremarkable fact does nothing to support [the plaintiff's] claim that New York's statutory cause of action for trade dress dilution is preempted by federal copyright law."\textsuperscript{944} Rather, preemption was inappropriate because New York dilution doctrine required the demonstration of elements that were distinguishable from those mandated by copyright law: "To state a claim under [the New York statute] a plaintiff must show (1) that its product has distinctive trade dress, and (2) that the defendant's appropriation of that trade dress results in a likelihood of dilution."\textsuperscript{945}

However correct this result may have been at the time, it has certainly been made so by developments since then. As the Supreme Court recognized in \textit{Bonito Boats, Inc. v. Thunder Craft Boats, Inc.},\textsuperscript{946} the common law cause of action for infringement of nonfunctional and distinctive trade dress does not conflict with federal policy because Section 43(a) of the Lanham Act has long provided an identical cause of action:

Congress has . . . given federal recognition to many of the concerns that underlie the state tort of unfair competition, and the application of \textit{Sears} and \textit{Compco} to nonfunctional aspects
of a product which have been shown to identify source must take account of competing federal policies in this regard. . . . The case for federal pre-emption is particularly weak where Congress has indicated its awareness of the operation of state law in a field of federal interest, and has nonetheless decided to “stand by both concepts and to tolerate whatever tension there [is] between them.”  

Here, Congress not only has “tolerated” the protection of trade dress under dilution law, it has expressly ratified that protection during the pendency of this litigation through the TDRA’s acknowledgement that trade dress is covered by the federal cause of action found in Section 43(c) of the Lanham Act. That recognition did not occur against a backdrop of judicial holdings that product designs were uniquely unprotectable under the then-extant version of Section 43(c): on the contrary, courts routinely held that the original statute was available to protect those designs. Rather than impermissibly conflicting with federal policy in the area, the cause of action created by state dilution statutes such as that of New York advances it.

Another court applying a Pennsylvania statutory cause of action for the unauthorized use of a plaintiff’s “name or likeness” concluded that the statute was not preempted by federal copyright law. The gravamen of the plaintiffs’ complaint was that the defendants had used a recording of the voice of the plaintiffs’ predecessor without authorization, while the defendants maintained that their ownership of the copyright covering the recording immunized them from liability. Noting that the assignment of the copyright upon which the defendants relied barred the defendants from making commercial uses of the underlying material, the court rejected this theory en route to holding the defendants liable as a matter of law.

952. See id. at 501.
A far less defensible holding of no preemption under the Copyright Act came in a case in which two plaintiffs sought to recover under Oklahoma unfair competition and deceptive trade practices law for the defendants’ failure to identify the plaintiffs as coauthors of a screenplay for a film produced by the defendants. On the defendants’ motion to dismiss, the court properly noted that “[i]n order to survive preemption, the state law claim must include an element beyond the two elements of a copyright infringement claim, which are: (1) plaintiff was the owner of a valid copyright; and (2) defendant copied protected components of the copyrighted material.” Looking toward Oklahoma law, the court then held that “[t]he tort of unfair competition requires plaintiffs to prove that defendants engaged in deception for the purposes of misleading a consumer about the identity of the producer of goods or services.” Likewise, “deception is the key element of any claim under the [state] Trade Practices Act.” Because the plaintiffs’ complaint alleged deceptive acts by the defendants—albeit acts not described in the court’s opinion—their state law claims survived.

Two unsuccessful claims of preemption were grounded not in the Copyright Act, but instead in the approval of the defendants’ activities by the FDA. The first case involved a medical device. Seeking the dismissal of false advertising and deceptive trade practices claims brought under Minnesota law and that of other states, the manufacturer of the device pointed to its compliance with FDA regulations. As to the manufacturer’s claim of express preemption, the court noted that the FDA did not purport to regulate advertising practices in the relevant industry. Moreover, as to implied preemption, the court held that there was no irreconcilable conflict between potential liability under the state unfair competition law and the federal regulatory scheme. Finally, the court suggested that the manufacturer had a duty independent of any federal regulatory action “to develop and fully disclose information” related to the safety of its product.

954. Id. at 1319.
955. Id.
956. Id. at 1320 (citing 78 Okla. Stat § 51 et seq.)
957. See id.
959. See id. at 898.
960. See id. at 898-900.
961. See id. at 900.
The second case turned on the significance of FDA approval of the advertising used by the plaintiff for its pharmaceutical product. Responding to allegations of false advertising and deceptive trade practices under Florida and Massachusetts law, the defendant argued that, because the FDA had signed off on the content of its advertising, any challenge to the advertising’s accuracy was preempted. The court accepted this argument, but only as to advertising that actually had received federal approval; because at least some of the advertising had not been approved, the plaintiff’s challenges to it could proceed.

**b. Right of Publicity**

Right of publicity jurisprudence produced the usual mixed bag of outcomes, with perhaps the most significant opinion of the year coming in an action brought by the operator of a fantasy baseball league, which sought a declaratory judgment that its use of the names and statistics of major league baseball players was not an actionable violation of the players’ right of publicity. The players responded with counterclaims brought under the auspices of the Major League Baseball Players’ Association, which intervened in the case. Applying Missouri law, the court held that an individual plaintiff seeking to protect his or her right of publicity must demonstrate that (1) the defendant used the plaintiff’s name as a symbol of the plaintiff’s identity (2) without consent, and (3) with the intent to obtain a commercial advantage. As the absence of consent was undisputed, the court focused its analysis on the third, and then the first factors.

Addressing the issue of whether the fantasy baseball league had used the players’ identities to gain a commercial advantage, the court concluded that the league had not, primarily because of the absence of any implied endorsement by the players:

Unlike cases where the commercial advantage element of the right of publicity has been found, there is nothing about [the league’s] fantasy games which suggests that any Major League baseball player is associated with [the league’s] games or that any player endorses or sponsors the games in any way. The use of names and playing records of Major League baseball players in [the league’s] games, moreover, is not intended to attract customers away from any other fantasy game provider.
because all fantasy game providers necessarily use names and playing records. 966

The showing by the Players’ Association on the first prong of the relevant analysis was equally deficient. In addressing the issue of whether the league had used the players’ names as symbols of their identities, the court noted that “how players’ names are used is significant rather than the mere fact that they are used.” 967 It went on to observe:

[The league’s] use of the baseball players’ names and playing records in the circumstances of this case . . . does not involve the character, personality, reputation, or physical appearance of the players; it simply involves historical facts about the baseball players such as their batting averages, home runs, doubles, triples, etc. [The league’s] use of players’ names in conjunction with their playing records, therefore, does not involve the persona or identity of any player. Indeed, under the facts of this case there is no triable issue as to whether the persona or identity element of the right of publicity is present. 968

Under these circumstances, the policy justifications for allowing recovery for a right of publicity violation did not apply and the league therefore was entitled to entry of summary judgment in its favor. 969

Other right of publicity plaintiffs fell equally short. 970 In a case brought under Florida law, the plaintiff’s mother had given her consent to the reproduction in a book of a photograph taken of the plaintiff while the plaintiff was a minor. 971 When a second edition of the book featuring the plaintiff on its cover appeared on the Amazon.com website, the plaintiff sent a demand letter to the retailer, which responded by removing the book from its site. Not satisfied, the plaintiff filed suit, alleging a violation of the Florida right of publicity statute. 972 Affirming entry of summary judgment in Amazon.com’s favor, the Eleventh Circuit concluded that Amazon.com’s use of the plaintiff’s image had not been for trade,
commercial, or advertising purposes, at least one of which was required by the statute. As the court explained,

we discern no set of facts by which an internet retailer such as Amazon, which functions as the internet equivalent to a traditional bookseller, would be liable for displaying content that is incidental to book sales, such as providing customers with access to a book’s cover image and a publisher’s description of the book’s content.973

The court was equally unimpressed with the plaintiff’s attempts to bootstrap her objections to the revived use of her photograph into a cause of action for civil theft,974 which it held was also deficient as a matter of law in light of the plaintiff’s inability to demonstrate that Amazon.com had acted with the necessary felonious intent.975

Not all right of publicity plaintiffs came up empty-handed. In the most notable example of a successful right of publicity action over the past year, a former professional hockey player defended before the Missouri Court of Appeals a $24.5 million award for the use of his pseudonym as the name of a mafia boss by the artist and producer of a comic book.976 With the state Supreme Court having previously held that the defendants’ use of the pseudonym was a ploy to sell products, rather than expressive speech entitled to First Amendment protection, affirmance of the jury verdict in the plaintiff’s favor was virtually a foregone conclusion.977

In another appellate opinion addressing the alleged misuse of a plaintiff’s identity, the Tenth Circuit reviewed a finding of liability under the rubric of Colorado invasion of privacy doctrine and not, as might be expected, under right of publicity law.978 The gravamen of the plaintiff’s claims was that the defendant, his former employer, had continued to distribute promotional material inaccurately identifying the plaintiff as an employee after the plaintiff’s departure. The appellate court noted that:

To prove his invasion of privacy claim, [the plaintiff] was required to show: “(1) the defendant used the plaintiff’s name or likeness; (2) the use of the plaintiff’s name or likeness was for the defendant’s own purposes or benefit, commercially or otherwise; (3) the plaintiff suffered damages; and (4) the defendant caused the damages incurred.” A plaintiff claiming

973. Almeida, 456 F.3d at 1326.
974. See Fla. Stat. § 812.014(1).
975. See Almeida, 456 F.3d at 1327.
977. See id. at 56-61.
978. See King v. PA Consulting Group, 485 F.3d 577 (10th Cir. 2007).
commercial damages . . . must further establish the commercial value of his name.\footnote{979}

Rejecting the defendant’s claims that the plaintiff had failed to carry his burden of demonstrating the first and third factors, the court noted record evidence and testimony that the plaintiff has a “high profile” and was “well-known” in the industry and that he failed to receive invitations to several industry conferences as a result of the plaintiff’s advertising.\footnote{980}

Pennsylvania law proved to be fertile ground for plaintiffs challenging the alleged misappropriation of their identities for commercial purposes.\footnote{981} Two such claimants were the successors in interest to John Facenda, the long-time narrator for N.F.L. Films, whose distinctive delivery was regarded by many fans as the “Voice of God.”\footnote{982} The defendants used a thirteen-second recording by Facenda in a film to promote sales of a video game, a tactic that led to a lawsuit alleging that Facenda had not authorized the use of his voice for product endorsements. After brushing aside a preemption challenge, the court entered summary judgment in the plaintiffs’ favor under the Pennsylvania right of publicity statute.\footnote{983} Although apparently not otherwise contesting the usual prima facie elements of the plaintiffs’ cause of action, the defendants argued that the modest length of the recording made its reproduction so insignificant as to constitute non-actionable incidental use. The court, however, concluded that the recording so enhanced the connection between the video game and the N.F.L. that it had added to the game’s value. Under these circumstances, it held, “the doctrine of incidental use does not apply here.”\footnote{984}

Finally, a group of attorneys successfully challenged the registration of variations of their names as Internet domains by invoking the Minnesota state law cause of action for misappropriation.\footnote{985} In entering summary judgment of liability, the court explained that “[a]ppropriation protects an individual’s identity and is committed when one ‘appropriates to his own use or

\begin{footnotes}
\footnotetext[979]{176 Id. at 591 (quoting Joe Dickerson & Assocs. v. Dittmar, 34 P.3d 995, 1002 (Colo. 2001)) (citation omitted).}
\footnotetext[980]{177 See id. at 592.}
\footnotetext[981]{178 See, e.g., Rose v. Triple Crown Nutrition Inc., 82 U.S.P.Q.2d 1222 (M.D. Pa. 2007) (declining to dismiss claims for both invasion of privacy and misappropriation of commercial value grounded in defendant’s use of jockey’s portrait on packaging for horse feed).}
\footnotetext[984]{181 Facenda, 488 F. Supp. 2d at 503.}
\footnotetext[985]{182 See Faegre & Benson, LLP v. Purdy, 447 F. Supp. 2d 1008 (D. Minn. 2006).}
\end{footnotes}
benefit the name or likeness of another.”986 Because the defendants had registered the domains in question to promote their anti-abortion agenda by suggesting that the plaintiffs supported it, the court found the requirements of the tort satisfied as a matter of law.987

c. Other State Statutory and Common Law
Unfair Competition Claims

(1) California

The Federal Circuit had the opportunity to address the issue of whether California unfair competition law recognizes a cause of action for the sale of a medical device that has not yet been approved by the Food and Drug Administration.988 The district court had dismissed the plaintiff’s claim under this theory as a matter of law, concluding that the plaintiff had failed to exhaust its administrative remedies. Noting that the plaintiff was not challenging the FDA’s evaluation of the device, the appellate court held that there were no administrative remedies to exhaust. The court then rejected the defendants’ argument that the plaintiff’s cause of action was barred by a provision of the Food, Drug, and Cosmetic Act that no federal private cause of action existed for violations of that Act.989 As it concluded, California unfair competition law allowed plaintiffs to challenge violations of even those statutes that did not themselves recognize private causes of action. Accordingly, it vacated the district court’s dismissal of the plaintiff’s state law claim.990

(2) Florida

Applying Florida law in a dispute between two manufacturers of medical devices, the Federal Circuit declined to allow a state law cause of action grounded in the defendant’s marketing of its device for eleven days without FDA approval.991 The fatal flaw in the plaintiff’s theory was that the allegedly unlawful marketing had occurred after the only sale the plaintiff claimed it had lost to the defendant. Convinced by the defendant’s argument that the plaintiff could not have suffered an actionable injury attributable

986. Id. at 1017 (quoting Lake v. Wal-Mart Stores, Inc., 582 N.W.2d 231, 233 (Minn. 1998)).
987. See id. at 1017-18.
988. See Optivus Tech., Inc. v. Ion Beam Applications S.A., 469 F.3d 978 (Fed. Cir. 2006).
990. See Optivus Tech., 469 F.3d at 986.
991. See id. at 986-87.
to the defendant’s conduct, the appellate court upheld the dismissal of the plaintiff’s cause of action for failure to state a claim.992

(3) Georgia

Applying Georgia statutory and common law, a federal district court addressed the issue of whether a defendant’s distribution to its own employees of goods bearing an allegedly infringing mark could result in a finding of unfair competition and deceptive trade practices.993 On the defendant’s motion of summary judgment, the court acknowledged that “it may be difficult for [the plaintiff] to demonstrate that [the] defendant’s own employees were confused as to the source of [the materials], or that they were under the false impression that the materials originated from [the] plaintiff.”994 Nevertheless, the court held that “[the] defendant’s employees are not ‘strip[ped] . . . of their status as members of the public’ by virtue of their employment with [the] defendant. In fact, [the] defendant’s employees are the very members of the public that comprise the target market for [the] plaintiff’s services.”995 Accordingly, the court held that the defendant had not demonstrated its entitlement to prevail as a matter of law.996

Nevertheless, the court did grant the defendant’s motion for summary judgment as to the plaintiff’s claims under the Georgia Computer Systems Protection Act.997 As interpreted by the court, that statute “makes it illegal for an organization to use a trademark . . . on the internet, without the permission of the trademark . . . owner, for the purpose of falsely identifying itself.”998 Seeking to ward off entry of summary judgment in the defendant’s favor, the plaintiff pointed to the defendant’s use of a computer to design some of the infringing materials and its receipt of others from a third-party consultant. The court was unconvinced, holding as a matter of law that the defendant had not falsely identified itself by using the allegedly infringing mark on the Internet; accordingly, the plaintiff’s claims were dismissed.999

992. See id.
994. Id. at 1366-67.
996. See id. at 1367.
998. SCQuARE Int’l, 455 F. Supp. 2d at 1368.
999. See id. at 1368-69.
When the owner of a utility patent sent demand letters to customers of alleged infringers of the patent, the inevitable result was an unfair competition counterclaim in the subsequent patent infringement suit. Among other causes of action asserted by the plaintiff was one under the Illinois Consumer Fraud and Deceptive Business Practice Act. Entertaining the plaintiff's motion to dismiss, the court first held that the defendants enjoyed standing to vindicate the interests of consumers protected by the state statute. Nevertheless, the court then dismissed the claim anyway, holding that:

[the lead defendant on the false advertising counterclaim] fails to plead the required nexus properly. . . . [He] does state that the statements were made to his “customers and prospective customers” and that the acts “occurred in the course of trade or intrastate and interstate commerce.” Nevertheless, [he] fails to allege that the [l]etters were directed to consumers or the marketplace generally, or that consumer protection concerns are implicated. Furthermore, [the lead plaintiff] only sent out seven letters, and only to . . . customers [of the lead defendant on the counterclaim]. Quite simply, this type of focused communication fails to implicate the kind of consumer protection concerns required to state a claim under the [state statute].

Faced with claims it had violated the Massachusetts Unfair or Deceptive Business Practices Act, one out-of-state defendant questioned whether it was subject to that state's law in the first instance. Rejecting the defendant's motion for summary judgment on the subject, a Massachusetts federal district court held that liability could lie if the “center of gravity” of the objectionable conduct was lodged in the state. Relying on state court and First Circuit authority, it held the inquiry to turn on an examination of three factors: (1) where the defendant had

committed the unfair or deceptive act or practice; (2) where the plaintiff received or acted upon the wrongful conduct; and (3) where the plaintiff sustained losses caused by the wrongful conduct. Ultimately, because the record demonstrated that the promotional material challenged by the lawsuit had been distributed by the defendant in Massachusetts, the test was satisfied and the defendant was not entitled to summary judgment.

(6) Michigan

A Michigan federal district court confirmed that the standards for liability for unfair competition under Michigan statutory and common law are the same as those under the Lanham Act. Because the defendant had been found liable for marketing goods bearing counterfeit marks, a finding of liability under state law followed as a matter of law.

(7) New Jersey

In an action brought in part under the New Jersey Consumer Fraud Act (NJCFCA), a federal district court in that state confirmed that the NJCFA’s protections are available only to consumers and commercial competitors. The case had been brought by a cigar manufacturer against an Internet search engine that had sold the plaintiff’s trademarks as triggers for advertising placed by the plaintiff’s competitors, some of whom were also named as defendants. Although holding that the plaintiff had standing to sue competitors purchasing the advertising, it held that the NJCFA did not provide a remedy against the advertising’s sale. Rather, the court concluded, “[the plaintiff] is neither a consumer of cigars nor of [the defendant’s] services. As a cigar retailer, [the plaintiff] cannot be considered a commercial competitor of [the defendant’s] search engine.” Accordingly, the court entered summary judgment in the search engine’s favor.

1007. See id. at 72.
1009. See id. at 832.
1012. Id. at 296.
1013. See id.
Another federal district court, this one in Florida, adopted a similarly restrictive interpretation of the NJCFA. The case was a class action suit brought against a drug manufacturer for allegedly false and deceptive advertising. One of the many plaintiffs was a union-administered employee health plan which, the court held on a motion to dismiss, had failed adequately to allege an injury from the advertising. In particular, the court noted that the health plan did not allege that it, or any of its members, had ever purchased the drug in question. Under these circumstances, the plan’s cause of action under the NJCFA was dismissed for failure to state a claim. Moreover, the same result held with respect to the claims of a consumer health advocacy group, which also failed to allege purchases of the drug by it or its members.

(8) New York

Other than the opinion of the New York Court of Appeals in *ITC Ltd. v. Punchgini*, applications of New York law over the past year failed to produce any significant doctrinal developments. One Appellate Division opinion, however, confirmed that a plaintiff availing itself of the state statutory cause of action against deceptive trade practices must establish that the defendant acted with an intent to deceive or mislead the public. With the plaintiff before it having failed to carry its burden on this issue, the court vacated a preliminary injunction entered below and additionally ordered the dismissal of the plaintiff's cause of action.

(9) Ohio

One Ohio federal district court examined whether liability under that state's deceptive trade practices act could be based on the use of misleading Internet domains to broadcast critical commentary about a competitor. The court began its analysis

1015. See id. at 1333-34.
1016. See id. at 1339-40.
1020. See id.
by noting that the scope of the state statute was coextensive with Section 43(a) of the Lanham Act. According to the court, this congruence meant that entitlement to relief under state law required a showing that: (1) the defendant had made false or misleading statements concerning its own product or that of another party; (2) the statement actually deceived or had a tendency to deceive a substantial portion of the intended audience; (3) the statement was material to consumers' purchasing decisions; (4) the statement was introduced into interstate commerce; and (5) there was a causal link between the challenged statements and harm to the plaintiff. Despite having previously entered a preliminary injunction under Section 32 of the Lanham Act and under the ACPA, the court held that the factual record before it was insufficiently developed to determine whether similar relief was appropriate under the state statute.1025

(10) Pennsylvania

The Pennsylvania common law tort of disparagement proved to be a bright spot in an opinion otherwise dismissing one plaintiff's challenges to a competitor's advertising. The parties to the case were competitors in the automobile replacement glass business, with the defendant additionally engaged in the running of call centers for insurance carriers. Scripts provided by the defendant to personnel at the call centers inaccurately advised callers that, among other things, the plaintiff was no longer a member of a referral network maintained by the plaintiff. Despite entry of summary judgment of nonliability on the plaintiff's federal false advertising claims, the plaintiff's disparagement claims survived until trial. Not only was it undisputed that the statement in question was false, there was record evidence that the defendant had acted with knowledge of its falsity or at least with a reckless disregard of the truth. Accordingly, the court held that the statement was not necessarily a privileged one under state law.1027

At the same time, the court declined to grant the plaintiff's motion for summary judgment on a counterclaim for disparagement advanced by the defendant. That cause of action was grounded in the plaintiff's distribution of letters to insurers complaining about the defendant's claims administration practices. The plaintiff argued that the defendant was a public figure and

1023. See id. at 979.
1024. See id.
1025. See id at 979-80.
1027. See id. at 714-15.
therefore required to demonstrate that the plaintiff had acted with actual malice when sending the letters. The court disagreed that the defendant had become a public figure merely because it had operated a call center and, additionally, rejected the plaintiff’s suggestion that the lawsuit itself could place the defendant into that category. Accordingly, the counterclaim survived for the time being under the lower standard for liability applicable to non-public figures.1028

8. Contributory Infringement and Vicarious Liability

Although often made, claims of contributory infringement succeed infrequently at best. The most interesting example of this phenomenon came in a case in which a plaintiff sought to amend its complaint to add a Section 32 cause of action after receiving a registration during the pendency of the litigation.1029 By the time the motion to amend was filed, however, the defendants had discontinued sales of the allegedly infringing goods. This led the plaintiff to assert that the defendants were liable under Section 32 for lingering sales of the goods by downstream retailers who had purchased them from the lead defendant prior to the registration issuing. The court declined to hold that Section 32 could be applied to the defendants under these circumstances. Distinguishing between the remedies available under Section 32, on the one hand, and Section 43(a), of the other, the court held that “Defendants cannot be held liable for infringement by others of Plaintiff’s registered trademark unless Defendants knew or had reason to know that their [activities prior to the registration issuing] would ‘supply the ammunition’ for those third parties to violate § 32(1), that is, infringe upon a registered mark.”1030 Accordingly, the court disallowed the plaintiff’s proposed amendment as futile.1031

In a second case in which allegations of contributory infringement failed, the lead defendant had sold his business to the plaintiff, only to have his daughter later enter into direct competition with the plaintiff under a mark substantively identical to the one sold with the original business.1032 The plaintiff argued that the lead defendant was contributorily liable for his daughter’s infringement because he (1) had sold a piece of real estate to his daughter and (2) through his real estate company, had placed land in trust for his daughter that she had used as collateral to begin

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1028. See id. at 719-20.
1030. Id. at 531.
1031. See id. at 532.
the infringing business. Granting summary judgment in the lead defendant’s favor, the court noted the absence of evidence that he had intentionally induced or even encouraged his daughter to engage in the acts in question. Equally to the point, the lead defendant’s transfer of real estate for his daughter’s benefit was pursuant to a preexisting estate planning program. Under these circumstances, the court held that “[the lead defendant] did nothing more than any parent would do regarding estate planning and nothing more than any financial institution would do in selling property to a business.”

A final context in which claims of vicarious liability are often made is that arising from the contractual relationship between trademark licensors and licensees. Whatever the appeal in legal academia of holding trademark licensors responsible for the torts of their licensees may be, an opinion from the Court of Appeals of Mississippi rejected it. The action had its origins in a death during a robbery at a franchised hotel. According to the plaintiffs, the franchisor bore responsibility for inadequate security at the hotel in light of its general duty as a trademark licensor to maintain control over the nature and quality of the services provided under its mark. Affirming entry of summary judgment in the franchisor’s favor, the court noted that “[t]ypically, a franchisor’s principal asset is its trademark. As a result, a consideration in franchise cases that is not found in other vicarious liability cases is the control that a franchisor must exert over the franchised premises in order to protect its trade or service mark.” Nevertheless, it also held that “the majority view is that the franchisor must control or have the right to control the ‘specific instrumentality’ that caused the plaintiff’s harm for a court to apply vicarious liability. . . .” Because the record evidence did not establish that the franchisor had had the right to control the activities of its franchisee, there was no basis for a finding of liability against the franchisor.

9. Personal Liability

The issue of personal liability for unfair competition was addressed by few reported opinions over the past year, with the

1033. Id. at 1106.
1035. Id. at 826.
1036. Id. at 827.
1037. See id. at 827-28.
only court to address the issue in a substantive manner doing so in the context of a motion to dismiss filed by an individual defendant.1039 In a case in which the plaintiff challenged the defendants’ distribution of allegedly false advertising in violation of federal and Florida law, the individual defendant argued that the complaint failed to establish his role in the objectionable activities. The court disagreed and denied the motion on the ground that “[the plaintiff] specifically alleged that [the individual defendant] authored and circulated documents in interstate commerce that contained false or misleading information, and that such activity gave rise to the allegations in the Amended Complaint; such claims are sufficient.”1040

C. Counterfeiting Matters

As usual, the past year produced a fair number of opinions dealing with counterfeit marks and, as usual, the parties charged with counterfeiting wound up on the short end of the stick.1041 Perhaps the most unusual argument by an accused counterfeiter came in a proceeding arising from the federal government’s seizure of imported goods bearing allegedly counterfeit certification marks.1042 When the government declined to pursue a formal forfeiture proceeding, the importers rather brazenly sought reimbursement, arguing that the initial seizure had been a taking in violation of the Fifth Amendment. Affirming the dismissal of this theory for failure to state a claim, the Federal Circuit was unimpressed: When property has been seized pursuant to the criminal laws or subjected to in rem forfeiture proceedings, such deprivations are not “ takings” for which the owner is entitled to compensation.

... While it is insufficient to avoid the burdens imposed by the Takings Clause simply to invoke the “police powers” of the state, regardless of the respective benefits to the public and burdens on the property owner, the prohibition on importing goods bearing counterfeit marks that misrepresent their quality and safety is the kind of exercise of the police power that has repeatedly been treated as legitimate even in the

1040. Id. at 1328.
1042. See Acadia Tech., Inc. v. United States, 458 F.3d 1327 (Fed. Cir. 2006).
absence of compensation to the owners of the [seized] property.\textsuperscript{1043}

Other defendants accused of trafficking in goods bearing counterfeit marks similarly fell short in their attempts to take the offensive.\textsuperscript{1044} Having been exposed as selling refurbished stainless steel watches manufactured by the plaintiff as new white gold watches, the defendants claimed that undercover agents retained by the plaintiff had consented to the watches’ sales by purchasing them or otherwise encouraging the refurbishing. The court rejected this argument, concluding that “[u]ndercover investigators are ‘an effective enforcement mechanism for detecting and proving anti-competitive activity which might otherwise escape discovery or proof,’ and the Court declines to accept the argument that purchases made at the request of undercover investigators imply consent by the trademark holder.”\textsuperscript{1045} Having disposed of this point, the court entered a permanent injunction against the defendants on the ground that “although defendants did not imitate, copy, or reproduce [the plaintiff’s] mark but merely retained the mark on the watch, the watch delivered to [the plaintiff’s investigator] was a counterfeit good.”\textsuperscript{1046}

Allegations of counterfeiting also came into play in a Third Circuit case presenting an unusual intersection of federal criminal and immigration law.\textsuperscript{1047} The appellant was a South Korean citizen with permanent resident status in the United States who had been convicted of trafficking in counterfeiting goods. Following his conviction, the appellant was designated for deportation by the Department of Homeland Security on the ground that he had engaged in an offense relating to counterfeiting in violation of Section 101(a)(43)(R) of the Immigration and Nationality Act.\textsuperscript{1048} Among other contentions, the appellant argued that he had not been convicted of an aggravated felony that would justify his removal from the country. The appellate court disagreed and instead held that the deportation order was appropriate.\textsuperscript{1049}

Not all opinions addressing alleged counterfeiting reached findings of liability, however, with one case serving as a reminder that a plaintiff unable to demonstrate infringement is in a poor position to assert that the defendant has trafficked in goods

\textsuperscript{1043} Id. at 1331-33.
\textsuperscript{1045} Id. at 183 (quoting Gidatex, S.r.L. v. Campaniello Imports, Ltd., 82 F. Supp. 2d 119, 124 (S.D.N.Y. 1999)).
\textsuperscript{1046} Id. at 182.
\textsuperscript{1047} See Yong Wong Park v. Att’y Gen., 472 F.3d 66 (3d Cir. 2006).
\textsuperscript{1049} See Yong Wong Park, 472 F.3d at 70-73.
bearing a counterfeit mark. The plaintiff owned the LOUIS VUITTON and stylized LV marks, which it used in connection with various luxury goods, while the defendants sold pet products allegedly parodying the plaintiff and bearing the designations CHEWY VUITON and CV. On the parties’ cross-motions for summary judgment, the court observed that “[d]etermination of whether certain . . . articles bear a counterfeit mark is to be determined from the perspective of the average purchaser rather than from the perspective of an expert.” Nevertheless, it then concluded that:

In this case, the marks are not identical or indistinguishable. While they are close enough for the average consumer to appreciate the parody, an interlocking “CV” is clearly distinguishable from an interlocking “LV”, and the average purchaser would not confuse the mark of Chewy Vuiton products with those of Plaintiff. Nor are the coloring patterns and designs identical or indistinguishable. After considering both marks, this Court finds that no reasonable trier of fact could conclude otherwise.

A similar outcome held in an action brought by the owner of the COLGATE mark for toothpaste against purveyors of a competitive product sold under the COLDDATE mark. The parties filed cross-motions for summary judgment on the plaintiff’s counterfeiting claims, but only the defendants’ motion was successful. For purposes of the motions, the court accepted the plaintiff’s argument that consumers would focus on the front panels of the parties’ boxes and that the identification on the back panels of the manufacturer of the defendants’ products should not come into play. Nevertheless, it also noted that “[t]here is little chance that the word ‘Colddate’ would be perceived as actually being ‘Colgate.’ Their similarity is not equivalent to identity. The Colddate mark contains a double ‘dd,’ whereas plaintiff’s contains a single ‘g.’” Additionally relying on differences in the parties’ packaging that further distinguished their products, the court entered summary judgment of nonliability on the ground that “in general, . . . marks that are similar to [a plaintiff’s] registered

1051. Id. at 506.
1052. Id.
1054. Id. at 291.
mark, but differ by two or more letters, are not likely to be considered counterfeit.”

D. Defenses

1. Legal Defenses

a. Ownership of an Incontestable Registration

The traditional view of the defensive value of an incontestable registration is that the registration immunizes its owner against a finding of liability in a suit by an alleged prior user. As Professor McCarthy has explained of Section 33, “[t]his statutory language . . . means that if a defendant in an infringement lawsuit is the owner of a valid incontestable registration, its use of the mark on those goods and services [recited in the registration] is secure and cannot be disturbed.” Nevertheless, in a case in which the defendants had acquired their incontestable registration of a challenged mark while they were licensed by the plaintiffs’ predecessor to use a closely similar mark, the Ninth Circuit held that the registration did not preclude the plaintiffs from bringing an infringement action against the defendants, in addition to whatever remedies the plaintiffs might have for breach of the original license. In rejecting the defendants’ attempted reliance on their registration, the court observed that “[the defendants’] argument misapprehends a fundamental principle of trademark law: Registration does not create a mark or confer ownership; only use in the marketplace can establish a mark.”

b. First Amendment

Unfair competition defendants who successfully invoke the First Amendment are few and far between, but some did manage to pull it off. The most notable example came from a panel of the California Court of Appeals, which fleshed out the concept of transformative use that has been lurking in state right of publicity doctrine for years and did so in a manner promising to restrict future claims brought in the state. The plaintiff was the former

1055. Id.
1057. See Miller v. Glenn Miller Prods. Inc., 454 F.3d 975 (9th Cir. 2006).
1058. Id. at 979.
1060. See Kirby v. Sega of Am., Inc., 50 Cal. Rptr. 3d 607 (Ct. App. 2006).
lead singer in Deee-Lite, which the court described as “a retro-funk-dance musical group” popular in the early 1990s. The court alleged that a video game produced by the defendants had misappropriated her “unique musical identity” by featuring a character clad in a midriff-exposing orange outfit bearing the numeral “5” and incorporating a mini-skirt, elbow-length gloves, and stiletto heels; the character also sported pink hair in ponytails and blue-colored accessories. Reviewing the record, the court of appeals agreed with the trial court that, “notwithstanding certain similarities, [the defendants’ character] is more than a mere likeness [of the plaintiff].” Although the similarities were sufficient to preclude a finding as a matter of law that the defendants had not misappropriated the plaintiff’s identity, the transformative nature of that alleged taking qualified the defendants for the protection of the First Amendment: “[A]ny public confusion arising from a mistaken assumption [as to the plaintiff’s endorsement of the defendants’ game] is easily outweighed by the public interest in free artistic expression, so as to preclude application of the Lanham Act.”

A California district court also got into the act in holding that the First Amendment barred entry of relief against the designers and distributors of a series of video games that featured a virtual strip club operating under the PIG PEN mark. The plaintiff was the owner of the PLAY PEN mark for a real strip club and alleged that the defendants’ virtual club infringed the plaintiff’s trademark and trade dress rights. Granting the defendants’ motion for summary judgment, the court invoked prior Second Circuit and Ninth Circuit authority to hold that “[a] literary title falls outside the reach of the Lanham Act if it (1) has some artistic relevance and (2) does not explicitly mislead as to the source or content of the work.” Although the defendants’ use was not a literary title in the strictest sense, the court went on to hold that “[o]ther courts that have considered the issue have extended . . . First Amendment balancing test to all expressive uses of a trademark or trade dress in artistic works, whether titular or not.”

1061. Id. at 609.
1062. Id. at 616.
1063. Id. at 618.
1065. See Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894 (9th Cir. 2002); Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989).
1066. E.S.S. Entm’t 2000, 444 F. Supp. 2d at 1037.
1067. Id. at 1038.
Having concluded that the defendants’ games qualified as artistic works, the court then held that they satisfied the two-part test for First Amendment protection. As to the first requirement, the court found that “[t]he Pig Pen has artistic relevance to defendants’ twisted, irreverent image” of the urban settings in which the games were set and that “[a]ny visual work that seeks to offer an artistic commentary on a particular subject must use identifiable features of that subject so that the commentary will be understood and appreciated by the consumer.” And, as to the second requirement, it was undisputed both that consumers would not see defendants’ virtual club until after purchasing the games and that it was possible to play games featuring it “for many hours and accomplish all the set missions without ever entering or passing the Pig Pen.” Coupled with survey evidence suggesting that consumers did not, in fact, associate the virtual club with the real one, these considerations resulted in summary judgment of nonliability on the plaintiff’s state and federal claims.

Another holding applying the First Amendment rested on the court’s finding that the challenged use was a parody. The plaintiff was a purveyor of clothing under the FUBU mark, which stood for “For Us, By Us.” The defendants were producers and distributors of a motion picture that contained several passing spoken references to clothing sold under the BUFU mark, which was an abbreviation for “By Us, Fuck You.” Focusing on the absence of any competitive relationship between the parties, as well as the absence of any actual visual appearance of the BUFU mark in the film, the court found the defendants’ use to be a nonactionable parody as a matter of law. As it explained, “[t]o whatever extent, if any, one regards the parody as lewd or offensive, or whether one actually appreciates its comedic value, is entirely irrelevant to the issue of whether this expression of ideas

1068. On this subject, the court found:

The games at issue in this litigation ... frequently involve intricate, if obnoxious, story lines, detailed artwork, original scores, and a complex narrative which evolves as the player makes choices and gains experience. All of the games provided to the Court for review are expressive and qualify as speech for purposes of the First Amendment.

Id. at 1039.

1069. Id. at 1041.

1070. Id. at 1043.

1071. Id. at 1044.

1072. See id. at 1046-47.

1073. See id. at 1049.

should be afforded First Amendment protection, and judicial evaluations of the former sort will not be made.”

A far more typical disposition of a First Amendment defense came in litigation brought by a group of restaurant owners against a non-profit group and its members that sought to educate consumers on working conditions in the industry. The plaintiffs’ infringement and dilution claims centered around the defendants’ distribution of leaflets that reproduced the plaintiffs’ marks on their cover but that contained a polemic against the plaintiffs on the inside. The defendants predictably argued that their use of the plaintiffs’ marks was protected under the First Amendment, but the court, having found a likelihood of confusion, disagreed. It held that “[t]he First Amendment protects an individual’s right to speak out against a markholder, but it does not permit an individual to suggest that the markholder is the one speaking.” In particular, defendants use plaintiffs’ marks as a source identifier, and therefore defendants’ use is not protected by the First Amendment.

The same result held in a case in which the plaintiff was a former NHL “enforcer” who had played under the pseudonym “Tony Twist.” Admittedly inspired by the plaintiff, a comic book artist began to refer to a fictional mafia boss in his work as, alternatively, “Tony Twist,” “Antonio Twist,” and “Antonio Twistelli.” Hardly flattered, the plaintiff sued to enforce his right of publicity under Missouri law, and eventually secured a jury award of $15 million in monetary relief against the artist and his production company. Challenging the verdict before the Missouri Court of Appeals, the defendants argued that their use of the name was protected under the First Amendment. The appellate court, however, observed that “[t]he predominant purpose of the use of the name ‘Tony Twist’ was to sell comic books and related products and not to make an expressive comment about Twist the hockey player. Therefore, use of the name is not entitled to First Amendment protection.”

Invocation of the First Amendment proved equally unsuccessful in a routine cybersquatting action in which the defendants unsuccessfully sought dismissal of the plaintiffs’

1075. Id. at 1216.
1077. Id. at 291.
1078. Id.
1080. Id. at 61.
complaint for failure to state a claim. The gravamen of the defendants’ motion was that the injunctive relief sought by the complaint would unconstitutionally restrict their operation of a website at which they accused the plaintiffs, their direct competitors, of a remarkable variety of unsavory activities, the less about which said, the better. As the court summarized the plaintiffs’ complaint, however, “Plaintiffs allege that Defendants are engaging in commercial speech, and such speech is actionable under the First Amendment, as the expressive element of such speech has been constitutionally protected by the Lanham Act defenses if and when the propriety of entering any actual injunctive relief is evaluated.” The defendants’ motion was held equally deficient because “[t]here is no indication at this stage of the proceedings that an injunction would violate the First Amendment, and Defendants have failed to explain how the First Amendment would preclude the possibility of any and all injunctive relief in this relatively orthodox ACPA/Lanham Act case.”

Finally, First Amendment considerations proved unavailing in a case brought by a real estate firm and its members against a former employee who had registered a series of domains based on the firm’s registered trademark, the names of the firm’s members, and the street address of two of those members. The former employee had gone into competition with the plaintiffs and was dissatisfied with their alleged failure to identify for consumers all homes for sale in the parties’ geographic area, especially those he was selling. In an attempt to remedy the situation, he broadcast two emails to area brokers accusing the plaintiffs of, among things, “playing games and acting like little kids holding some sort of grudge against former agents.” The former employee argued that his criticisms of the plaintiffs were constitutionally protected speech but the court disagreed. According to it, “the issue is not whether Defendant has a First Amendment right to criticize Plaintiffs, but whether the First Amendment protects ‘a misleading use of plaintiffs’ marks in domain names to attract an unwitting and possibly unwilling audience to [Plaintiffs’] message.’” Because the domains had been used in the promotion of the former employee’s competitive business, the court

1082. Id. at 916 (record citation omitted).
1083. Id.
1085. Quoted in id. at 969.
1086. Id. at 976 (quoting Coca-Cola Co. v. Purdy, 382 F.3d 774, 778 (8th Cir. 2004)) (alteration in original).
entered a preliminary injunction against the defendants on the ground that “[s]peech is not . . . entitled to First Amendment protection when the Defendants engage in a commercially misleading use of Plaintiffs’ marks.”


c. Abandonment

(1) Non-Use

Section 45 of the Act provides in part that “[a] mark shall be deemed ‘abandoned’ . . . [w]hen its use has been discontinued with intent not to resume such use. Intent not to resume use may be inferred from the circumstances. Nonuse for three consecutive years shall be prima facie evidence of abandonment.” In contrast, “[w]hen the alleged period of non-use is less than three years, no presumption of abandonment attaches and the challenging party must show by clear and convincing evidence (1) non-use and (2) [an] intent not to resume in the reasonably foreseeable future.” This relatively high burden holds “because abandonment entails the forfeiture of a property interest.”

Although these rules are easily stated, Section 45 does not on its face identify whether it works a shift in the burden of proof or the burden of production to the party claiming abandonment. Referring to the treatment of presumptions by Rule 301 of the Federal Rules of Evidence, the Second Circuit concluded of Section 45 that “[t]he significance of a presumption of abandonment is to shift the burden of production to the mark owner to come forward with evidence indicating that, despite 3 years of non-use, it intended to resume use of the mark within a reasonably foreseeable time.” As a consequence, “[t]he ultimate burden of persuasion on the issue of abandonment . . . remains at all times with the alleged infringer.” Still, however, the court affirmed a finding of abandonment as a matter of law by the district court, in the process rejecting the plaintiff’s proffered explanations for its failure to use its mark for restaurant services in the United States, which included a lack of profitability, an undocumented intent to

1087. Id. at 977.
1092. Id.
sell food items under the mark, and an attempt to identify potential franchisees.\textsuperscript{1093}

Some cases presented similarly clear examples of abandonment.\textsuperscript{1094} For example, one set of defendants sought to escape the consequences of fifteen years' nonuse of their mark by invoking “poor economic conditions” and the alleged intent of one of their principals to resume use of the mark when those conditions improved.\textsuperscript{1095} That the defendants had made only a single sale since reviving their claimed mark did not help matters, as the court found that “[t]he sale was not a bona fide use of the mark in commerce.”\textsuperscript{1096} Concluding that the defendants “have offered no support for their claim of an ongoing plan to resume use,” the court not surprisingly found that they had abandoned their rights.\textsuperscript{1097}

On the other side of the coin, some cases not surprisingly held that a finding of abandonment will not lie if the mark in question continues to be in use, even if the mark’s owner’s intent is in question.\textsuperscript{1098} In one, the Ninth Circuit addressed the issue of whether a decision to phase out a mark’s use once the inventory of goods with which the mark was used was exhausted necessarily meant that the mark had been abandoned.\textsuperscript{1099} The plaintiff had acquired its mark from a predecessor in interest, who had gamely made occasional sales of goods bearing the mark but had made no effort to replenish his slowly dwindling inventory. Concluding that the predecessor’s efforts had been nothing more than an attempt to rid himself of goods bearing the mark, the district court found abandonment as a matter of law and therefore entered summary judgment in the defendants’ favor. On appeal, however, the Ninth Circuit reversed, concluding that the predecessor’s alleged intention to exit the business after selling stock did not constitute abandonment. It explained that:

\textsuperscript{1093}. See id. at 153.
\textsuperscript{1096}. Id.
\textsuperscript{1097}. Id.
\textsuperscript{1099}. See Electro Source LLC v. Brandess-Kalt-Aetna Group, 458 F.3d 931 (9th Cir. 2006).
Unless the trademark use is actually terminated, the intent not to resume use prong of abandonment does not come into play.

... Trademark use ... require[s] an existing business, but it does not follow that a failing, yet ongoing, business automatically abandons its mark although it is still in business. Even a declining business retains, may benefit from, or may continue to build its goodwill until it shuts its doors or ceases use of the marks.\(^{1100}\)

Accordingly, the appellate court reversed the finding of abandonment as a matter of law and additionally vacated the district court’s order cancelling the plaintiff’s registration.\(^{1101}\)

The plaintiff in the another case finding ongoing use had purchased a business and, within days of the transaction, had announced that the mark used by the purchased business would be phased out in favor of the purchaser’s own brand.\(^{1102}\) By the time the defendants adopted a confusingly similar mark, the plaintiff had begun to instruct its employees on the transition, leading the defendants to assert that the plaintiff had abandoned the purchased mark. Granting the plaintiff’s motion for summary judgment, the court observed that “Defendants failed to establish that [the plaintiff] actually abandoned the ... name or that [it] ever stopped using the name with an intent not to ever resume its use.”\(^{1103}\) Of equal significance, it went on to note that “trademark law would prohibit Defendants from using the [mark] until enough time had passed since its abandonment to eliminate [the mark’s] secondary meaning.”\(^{1104}\)

A similar scenario resulted in a similar result in a dispute between two manufacturers of pharmaceutical products.\(^{1105}\) One of the plaintiffs had used the AVENTIS house mark for a number of years before merging with another company. Following the merger, the combined company was known as SANOFI-AVENTIS, which led the defendant to claim that the original AVENTIS mark had been abandoned. The court rejected this argument in part on the basis that the combined company still used AVENTIS as a standalone mark on its packaging and in other materials. Going beyond this, however, it also noted that “AVENTIS is being used

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1100. Id. at 937-38, 939-40 (footnote and citation omitted).
1101. Id. at 941.
1103. Id. at 1105.
1104. Id.
as a part of SANOFI-AVENTIS. The combination of the names does not render AVENTIS abandoned, nor does it dispose of the goodwill associated with AVENTIS that was brought to the merger.”

Accordingly,” it found after a bench trial, “plaintiffs have not abandoned AVENTIS and . . . AVENTIS warrants trademark protection after the merger.”

Another court rejected one defendant’s attempt to dismiss the infringement case against it on the theory that the plaintiff’s then-registered marks had been abandoned by a prior owner. The plaintiff had purchased the marks at a bankruptcy auction, and this transaction and the plaintiff’s subsequent activities precluded a finding of abandonment on a motion to dismiss:

First, Plaintiff paid a substantial sum of money to purchase these rights out of bankruptcy. It is unlikely that a sophisticated corporate entity would pay money for rights that were defunct. Moreover, it is unlikely that bankruptcy court would allow the sale of items with no value. Second, the registrations [of] the . . . marks were still valid at the time of purchase. Third, Plaintiff’s attempts to re-register the marks and have [a] licensee put products bearing the marks back into the stream of commerce show that Plaintiff purchased the marks with the belief that they would be saleable.

Finally, the ongoing litigation over rights to a family of MUSTANG RANCH marks for a legal brothel in Nevada produced another opinion confirming that the marks had not been abandoned while in the possession of the United States government. Following the bankruptcy of the brothel’s original owners, the marks were the subject of several assignments until they were seized by the federal government, which auctioned them and other assets associated with the brothel on eBay. The government did not, however, operate the brothel as it had been before the seizure, which led several parties to assume that the mark had been abandoned.

When those parties clashed with the ultimate purchasers of the government’s interests, however, a court hearing one of the resulting lawsuits held after a bench trial that the marks had not been abandoned. Specifically, it found that any nonuse that had occurred had been excusable:

1106. Id. at 846.
1107. Id. at 847.
1109. Id. at 755.
While the two years between [the government’s acquisition of the marks and the marks’ ultimate sale] may seem like a substantial period of nonuse for a private company, it is certainly plausible that it would take the multi-faceted political bureaucracy charged with control of the Mustang Ranch at least two years to assess its assets, engage the public in a discussion over use, divide the assets, and sell the brothel portions to an entity that could operate a brothel . . . .

The facts of this case present a unique situation, in that a government agency was asked to do something with an inherited business of ill repute, and doing just about anything with that business would generate raised eyebrows, public interest, and . . . substantial press interest. . . . On top of the political issues, the physical property appears also to have come with flooding issues as well as issues of asbestos, and although the parties have not discussed this fact, some amount of public comment in a planning process was likely required by [federal law]. . . .

The government should probably not be penalized for pausing to reflect and deliberate when placed in this kind of unique situation.1111

(2) “Naked” Licensing

“A trademark owner will be considered to have abandoned its marks by licensing them to another without adequate control over the quality of the products sold under the marks.” 1112 Reflecting the high burden faced by a defendant alleging that a plaintiff has abandoned its rights through this uncontrolled, or “naked,” licensing,1113 one opinion declined to reach a finding of abandonment in a case in which a foreign plaintiff sold goods bearing its marks through a United States distributor, which affixed the same marks to related, and possibly competitive, products not manufactured by the plaintiff.1114 The plaintiff’s vice president of manufacturing admitted that the plaintiff had

1111. Id. at 1061-62.
1114. See AB Electrolux, 481 F. Supp. 2d at 329.
exercised no control over the quality of the unauthorized goods but instead had trusted the distributor to do the right thing.\textsuperscript{1115} Although this concession might have been fatal under other circumstances, it was “not clear” to the court that the “entire scope” of the parties’ relationship demonstrated a lack of control over the marks by the plaintiff.\textsuperscript{1116} Because “[o]n the present record . . . it seems likely that defendants will not be able to meet their burden of proving abandonment,” the court concluded that the defendants’ allegations of naked licensing were insufficient to prevent entry of a preliminary injunction.\textsuperscript{1117}

In denying a defense motion for summary judgment, another opinion took an equally forgiving view of claims of quality control.\textsuperscript{1118} The license in question granted a third party the right to produce a motion picture and promotional goods based on book authored by the lead plaintiff. The license did not contain any quality control provisions styled as such and, indeed, the lead plaintiff testified in a deposition that he had no control over the licensee’s activities. Likewise, although the lead plaintiff claimed that he had a good working relationship with the licensee, the defendants introduced testimony of “heated, acrimonious litigation” between the two.\textsuperscript{1119} Under ordinary circumstances, these considerations might well lead to a finding of a naked license as a matter of law, but the plaintiffs were able to fend off such a result by invoking a clause in the license granting the lead plaintiff the ability to veto any change in the title of the movie, as well as to approve its final cut and musical score. The existence of this clause, together with extrinsic communications between the lead plaintiff and the licensee concerning the merchandising program, precluded the defendants from meeting “the stringent standard of proof to show abandonment.”\textsuperscript{1120}

d. Fair Descriptive Use

Fair descriptive use by a defendant of either the plaintiff’s trademark or the words making up the plaintiff’s trademark may be justified under either of two theories. First, Section 33(b)(4) of the Act recognizes as a defense to the “conclusive” evidentiary presumption attaching to an incontestable registered mark that a

\textsuperscript{1115} See id. at 333.
\textsuperscript{1116} Id. at 334.
\textsuperscript{1117} Id.
\textsuperscript{1119} Quoted in id. at 1122.
\textsuperscript{1120} Id.
defendant is using the mark “fairly and in good faith only to
describe the [associated] goods or services . . . or their geographic
origin.” Second, the common law preserves defendants’ ability
to use descriptive terms in their primary descriptive sense;
consequently, a defendant in an action to protect a registered mark
who first satisfies Section 33(b)(4)’s requirements can then fall
back on the common law to provide a defense on the merits.

The issue of what constitutes the good faith required by
Section 33(b)(4) took center stage in an opinion from the Eleventh
Circuit. The plaintiff was a producer of note cards, greeting
cards, posters, and prints, many of which featured a federally
registered perforated border design that evoked the functional
perforations on older postage stamps. For a number of years, the
plaintiff was a licensee of the U.S. Postal Service, which granted
the plaintiff the right to use stamp images for which the Postal
Service owned the copyrights. Following the termination of the
parties’ formal relationship, the Postal Service developed its own
line of stamp art cards that featured a perforated border.

In the ensuing lawsuit, the district court granted the Postal
Service’s motion for summary judgment on descriptive fair use
grounds and the Eleventh Circuit affirmed. The appellate court
noted that Section 33(b)(4) required a tripartite showing by any
defendant seeking to invoke the fair descriptive use defense,
namely that the challenged use must be: (1) one other than as a
mark; (2) descriptive; and (3) in good faith. With the plaintiff
challenging the Postal Service’s showing only under the third
factor, the appellate court addressed the question of whether the
Postal Service’s prior knowledge of the plaintiff’s rights necessarily
precluded it from claiming good faith. Reviewing case law from
other jurisdictions, it observed that “other circuits have concluded
that the standard for good faith for fair use is the same as the legal
standard for good faith in any other trademark infringement
context and that that standard asks whether the alleged infringer
intended to trade on the good will of the trademark owner by
creating confusion as to the source of the goods or services.”
Adopting this rule for itself, the court found support for the district
court’s holding in undisputed evidence that “the overwhelming
majority of stamps the Postal Service produces include perforated

1122. See, e.g., Creamette Co. v. Conlin, 191 F.2d 108, 112 (5th Cir. 1951).
1123. See Int’l Stamp Art, Inc. v. United States Postal Serv., 456 F.3d 1270 (11th Cir.
2006).
1124. See id. at 1274.
1125. Id.
edges and have long done so.”1126 That the Postal Service prominently identified its products as its own was further evidence of its good faith.1127

Not all invocations of Section 33(b)(4) were successful, with one court completely missing the point of the Supreme Court’s holding in KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.1128 that a fair descriptive use may lie even if the plaintiff has successfully demonstrated a likelihood of confusion.1129 Citing to pre-KP Permanent Make-Up authority, the court held that “[b]ecause here, [the plaintiff] has established a likelihood of success on the customer confusion prong of [its] infringement claim, the Court concludes that this defense is not likely to succeed.”1130 Accordingly, the plaintiff’s satisfaction of its prima facie case rendered Section 33(b)(4) a nullity without affording the defendant an opportunity to have its evidence heard.

In a case in which the court did apply the proper analysis, one particularly brazen defendant fell short.1131 The plaintiff was a manufacturer of lounge chairs that it alleged were nonfunctional and had acquired secondary meaning. When the defendant introduced a line of closely similar pieces, the plaintiff sued, alleging infringement, dilution, and violations of various state laws. In its responsive pleadings, the defendant argued that its use of the designs was protected under Section 33(b)(4) because it was using its corresponding designs “only to describe” its own products:1132 “Based upon this theory, [the defendant] contends that its use of the lounge chair is permissible because it uses the chair in its primary, descriptive meaning as a product.”1133 The court was unconvinced and rejected the defendant’s related argument that application of Section 33(b)(4) was necessary to prevent the plaintiff from acquiring a “monopoly” on its lounge chairs:

This is less an argument on the merits of the fair use defense than it is an argument for altering the current state of trade

1126. Id. at 1275.
1127. See id.
1129. See id. at 121-22 (“Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows . . . that some possibility of consumer confusion must be compatible with fair use, and so it is.”).
1132. Quoted in id. at 1915.
1133. Id. at 1917.
dress law. Assuming that [the plaintiff] can establish the requirements for trade dress protection and no defenses apply, [the defendant] is likely correct that [the plaintiff] will have a monopoly on [its] lounge chair design, in the sense that [the plaintiff] can preclude others from using its trade dress in a manner causing confusion as to the source. While [the defendant] laments this potential outcome, it is consistent with the current state of trade dress law which permits a plaintiff to obtain protection for the design configuration of its products.\footnote{1134}

As usual, some defendants confused the statutory fair descriptive use defense with its extrastatutory fair nominative use cousin. For example, one group of defendants promoted their generic pharmaceutical products through the liberal use of the market leader’s ZOCOR mark.\footnote{1135} Some of the defendants referred to their wares as “generic ZOCOR,” while others used the mark on websites that revealed to consumers that they were not purchasing the genuine article only just before the consumation of the transaction. Moving to dismiss the action for failure to state a claim, certain of the defendants invoked Section 33(b)(4) to argue that they were making a fair descriptive use of the plaintiff’s mark. The court denied the motion on the ground that the complaint alleged that the defendants were making trademark uses of the term: As it properly observed, “[t]he only type of use permissible under this defense is nonTrademark use.”\footnote{1136}

\section*{e. Nominative Fair Use}

The “nominative fair use” doctrine allows for limited uses of a plaintiff’s mark when referring to the plaintiff itself.\footnote{1137} Perhaps the most notable opinion to address the doctrine over the past year came in which four plaintiff universities challenged a group of defendants who used the universities’ color schemes to sell sportswear bearing the colors to fans of the universities’ athletic programs.\footnote{1138} Having found infringement as a matter of law, the court was unsympathetic to the defendants’ claim that they were making fair nominative uses of the colors:

\footnotesize{\begin{itemize}
\item[1134.] \textit{Id.} at 1918.
\item[1136.] \textit{Id.} at 412-13.
\item[1137.] \textit{See generally New Kids on the Block v. New Am. Publ’g, Inc.}, 971 F.2d 302 (9th Cir. 1992).
\item[1138.] \textit{See Bd. of Supervisors v. Smack Apparel Co.}, 438 F. Supp. 2d 653 (E.D. La. 2006).
\end{itemize}}
In order to avail itself of the shield of nominative use, the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder. By definition, the defendant cannot use the mark to identify its goods because this would not be a nominative use, and it would also suggest affiliation, sponsorship, or endorsement.\footnote{Id. at 662.}

Summary judgment of liability followed.

A finding of no nominative fair use as a matter of law also occurred in a Sixth Circuit opinion,\footnote{See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).} albeit one in which the court mistakenly cited to the Supreme Court’s interpretation of the fair descriptive use defense in \textit{KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.}\footnote{543 U.S. 111 (2004).} The defendant had registered an Internet domain corresponding to one of the plaintiff’s trademarks and, at the associated website, had offered both branded merchandise bearing that mark and advertising space. Affirming entry of summary judgment in the plaintiff’s favor, the court noted that the defendant had opposed the plaintiff’s motion for summary judgment by pointing to certain allegedly descriptive (but actually nominative) references on his website to the plaintiff itself. Referring to the defendant’s use of the challenged mark on his own branded merchandise, the court concluded that any references to the plaintiff were “irrelevant” and in any case insufficient to dispel the likelihood of confusion created by his conduct.\footnote{See Audi, 469 F.3d at 547.}

On the defendants’ side of the ledger, one of the more notable findings of nominative fair use came in a case brought by the owner and a licensee of the S&P 500 mark for a stock index.\footnote{See Dow Jones & Co. v. Int’l Sec. Exch., Inc., 451 F.3d 295 (2d Cir. 2006).} Having authorized the sale of exchange traded funds (ETFs) made up of the same bundle of stocks as reflected in their index, the plaintiffs sought to enjoin two defendant vendors of ETFs who used the plaintiffs’ mark to describe the defendants’ product. Affirming the dismissal of the plaintiffs’ claims, the Second Circuit observed:

\begin{quote}
We agree with the district court that such a claim fails as a matter of law. While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the
\end{quote}
trader does not create confusion by implying an affiliation with the owner of the product.\textsuperscript{1144}

Three cases declined to accept defendants’ invitations to find nominative fair use as a matter of law but instead deferred resolution of the issue until trial. The first, which produced a scholarly opinion addressing the subject in detail, was a dispute between a strip club and the designers and distributors of a video game.\textsuperscript{1145} The strip club operated under the PLAY PEN mark and claimed to have a distinctive trade dress. The defendants’ game featured a virtual strip club using the PIG PEN mark and allegedly featuring elements of the plaintiff’s trade dress.

Although ultimately entering summary judgment in the defendants’ favor on likelihood of confusion grounds, the court declined to do the same where the defendants’ invocation of the nominative fair use doctrine was concerned. Properly distinguishing between nominative fair use and descriptive fair use, the court noted of the former that:

To prove nominative fair use, a defendant must satisfy three requirements: (1) “the plaintiff’s product or service in question must be one not readily identifiable without use of the [challenged] trademark”; (2) “only so much of the mark or marks may be used as is reasonably necessary to identify the plaintiff’s product or service;: and (3) “the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark owner.”\textsuperscript{1146}

Applying Ninth Circuit authority, the court also explained that “[t]he nominative fair use test replaces the likelihood of customer confusion analysis. . . .”\textsuperscript{1147}

Ultimately, the court rejected the defendants’ motion on the ground that “[t]he nominative fair use analysis is applied where a defendant’s work clearly identifies and intentionally refers to [the] plaintiff’s product or service.”\textsuperscript{1148} The court found that “[t]he evidence presented by defendants establishes that the artist(s) responsible for creating the Pig Pen did not design the virtual strip club to identify or refer specifically to the Play Pen.”\textsuperscript{1149} Rather, “[d]efendants’ purpose in using plaintiff’s trade dress and mark

\textsuperscript{1144.} \textit{Id.} at 308.
\textsuperscript{1146.} \textit{Id.} at 1029 (quoting Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 809 (9th Cir. 2003)).
\textsuperscript{1147.} \textit{Id.}
\textsuperscript{1148.} \textit{Id.} at 1031.
\textsuperscript{1149.} \textit{Id.} at 1032.
was not specifically to identify, criticize, or refer to the Play Pen, but rather to create a strip club that fit the virtual world . . . [of the defendant’s game]. . . .”1150 Under these circumstances, the proper inquiry was the standard likelihood of confusion test, and not that for nominative fair use.1151

The second case presented a challenge by a real estate brokerage to the defendant’s online use of the plaintiff’s mark as the trigger for sponsored advertising, as well as in hidden links and text.1152 Unconvinced by the defendant’s motion for summary judgment, the court adopted the Third Circuit’s test for determining whether a particular use qualified as a fair nominative one:

Where a defendant uses a mark to describe a plaintiff’s product, rather than its own, [the] defendant is entitled to a nominative fair use defense provided the following three elements are met: “(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 [the] plaintiff’s product; and (3) that the defendant’s conduct or language reflects ‘the true and accurate relationship between [the] plaintiff and [the] defendant’s products or services.’”1153

The defendant fell short in an application of this test, despite the fact that its website carried real estate listings by the plaintiff:

As the court pointed out, “[i]n its advertisements and hidden links and hidden text, [the] defendant could easily describe the contents of its website by stating that it includes all real estate listings in the [relevant geographic area].”1154 The defendant’s express emphasis on the plaintiff’s mark at the expense of its own was further evidence of the inapplicability of the defense. Because “[the] [d]efendant could have done more to prevent an improper inference regarding the relationship,” summary judgment in its favor was inappropriate.1155

In the third case, the lead plaintiff was the manufacturer of a pharmaceutical preparation sold under the ZOCOR mark.1156 The

1150. Id. at 1034.
1151. See id. at 1034-36.
1152. See Edina Realty, Inc. v. TheMLSonline.com, 80 U.S.P.Q.2d 1039 (D. Minn. 2006).
1153. Id. at 1045 (quoting Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 222 (3d Cir. 2005)).
1154. Id.
1155. Id. at 1045.
subject of its ire was the defendants’ practice of advertising their allegedly generic equivalent products using varying references to the lead plaintiff’s mark, e.g., “generic ZOCOR.” Addressing motions to dismiss filed by certain of the defendants, the court noted that “[c]ourts permit defendants to use a trademarked name to convey to consumers what it is their product seeks to copy; in such cases, defendants are “not trying to get the good will of the name, but the good will of the goods.” Nevertheless, it ultimately denied the motion on the ground that “I cannot conclude, on these motions to dismiss, that the ZOCOR mark, adjacent to or in close proximity to the word ‘generic’ on defendants’ websites, cannot give rise to consumer confusion as to the origin or sponsorship of the product.”

2. Equitable Defenses

a. Unclean Hands

The affirmative defense of unclean hands is frequently invoked, but rarely succeeds in light of the strict doctrinal requirements for its recognition:

Unclean hands is a defense to a Lanham Act infringement suit. Trademark Law’s unclean hands defense springs from the rationale that it is essential that the plaintiff should not in his trademark, or in his advertisements and business, be himself guilty of any false or misleading representation. To make out an unclean hands defense, a trademark defendant must demonstrate that the plaintiff’s conduct is inequitable and the conduct relates to the subject matter of its claims.

In a case demonstrating the difficulty defendants face in establishing the defense, the plaintiff university sought to protect its rights to a stylized cowboy known as “Raider Red.” Attempting to escape the consequences of the court’s finding of infringement and dilution as a matter of law, the defendant argued that the plaintiff had unclean hands because the “Raider Red” character itself was an infringement of the “Yosemite Sam” character owned by Warner Bros. Rejecting this argument, the court quoted Professor McCarthy to hold that “a [d]efendant is no less an infringer because it is brought to account by a plaintiff

1157. Id. at 413 (quoting Saxlehner v. Wagner, 216 U.S. 375, 380-81 (1910)).

1158. Id. at 414.


whose rights may or may not be superior to the whole world. The plaintiff's speculative dispute with a third party does not concern the defendant."\textsuperscript{1161}

An assertion of unclean hands fell similarly short in a case in which the defense was based on the timing of the plaintiffs' suit.\textsuperscript{1162} The defendant argued that the plaintiffs had strategically chosen to file their claims shortly before the defendant's introduction of a new product and shortly after the defendant's initial public offering. After having found liability on the merits of the plaintiffs' claims, the court declined to hold that the plaintiffs' conduct barred the imposition of relief: "Defendant put forth some evidence that plaintiffs may have had a competitive purpose in filing this action but . . . plaintiffs' actions do not constitute 'clear, convincing and unequivocal evidence that would reasonably support a finding of unclean hands.'\textsuperscript{1163}

b. Laches

As it is most commonly formulated, "Laches is composed of three elements: (1) delay in asserting one's trademark rights, (2) lack of excuse for the delay, and (3) undue prejudice to the alleged infringer caused by the delay."\textsuperscript{1164} The defense is an equitable one, however, meaning that courts may decline to apply it at the behest of defendants who arrive in court lacking clean hands.\textsuperscript{1165} Thus, for example, one court declined to apply it in a case in which the evidence showed that the defendants had engaged in intentional infringement.\textsuperscript{1166} As the court explained in granting summary judgment to the plaintiffs, "[b]ecause defendants admit that they intentionally copied plaintiffs' color schemes, their bad faith

\textsuperscript{1161} Id. at 528 (quoting 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 31:04 (4th ed. 1997)) (bracket in original).


\textsuperscript{1163} Id. at 856-57 (quoting Citizens Fin. Group v. Citizens Nat'l Bank, 383 F.3d 110, 129 (3d Cir. 2004)).

\textsuperscript{1164} Bd. of Supervisors v. Smack Apparel Co., 438 F. Supp. 2d 653,662 (E.D. La. 2006); see also Flentye v. Kathrein, 485 F. Supp. 2d 903, 916 (N.D. Ill. 2007) ("To establish laches as an affirmative defense, [the defendants] must show (1) Plaintiffs had knowledge of Defendants' use of an allegedly infringing mark, (2) Plaintiffs inexcusably delayed in taking action with respect to Defendants' use, and (3) Defendants would be prejudiced by allowing Plaintiffs to assert their rights.").

\textsuperscript{1165} See, e.g., Fusco Group, Inc. v. Loss Consultants Int'l, Inc., 462 F. Supp. 2d 321, 329-330 (N.D.N.Y. 2006) (declining to hold that laches barred action against counterclaim defendants who had adopted their mark with actual and constructive knowledge of counterclaim plaintiff's prior use).

\textsuperscript{1166} See Smack Apparel, 438 F. Supp. 2d at 663.
deprives [them] of the ability to assert the equitable defense of laches.\textsuperscript{1167}

Other considerations led to the doctrine being rejected.\textsuperscript{1168} In one case in which the doctrine was asserted unsuccessfully, the Sixth Circuit rejected a laches defense by a defendant who had registered an Internet domain similar to the plaintiff’s registered marks and briefly offered goods later found to be infringing on the associated website.\textsuperscript{1169} Although over four years passed between the defendant’s registration of the domain and his receipt of a demand letter from the plaintiff, the court rejected the defendant’s claim of laches for two reasons. First, the defendant had failed to provide any evidence that the plaintiff’s delay had been intentional or inexcusable. And, second, the defendant was not prejudiced because he had never been authorized to imitate the plaintiff’s marks in the first place.\textsuperscript{1170}

Another court rejecting a laches defense clarified that knowledge of some activities by the defendant does not necessarily obligate a plaintiff to act.\textsuperscript{1171} The parties to the case were competitors in the college application processing industry. The basis of the plaintiff’s false advertising claim against the defendant was a question on the defendant’s website that misled students into agreeing to the sale of their personal information to financial institutions. The parties agreed that the corresponding state law statute of limitations was two years and the court found that “[m]ore than two years before it asserted its Lanham Act claim, [the plaintiff] had reason to be suspicious that [the defendant] and other competitors were selling student applicants’ personal information to lending institutions.”\textsuperscript{1172} Nevertheless, it was not until discovery in the action that the plaintiff learned that the defendant was treating each positive response to the question at issue as an “express consent and direction” for the sale of the information. Because only then could the plaintiff be charged with knowledge that it had a false advertising claim, the defendant’s laches defense fell short.\textsuperscript{1173}

Still another case finding the defendant’s claims of laches without merit came in a dispute between a plaintiff university and

\textsuperscript{1167} Id. at 663.
\textsuperscript{1168} See, e.g., Superior Paintless Dent Removal, Inc. v. Superior Dent Removal, Inc., 454 F. Supp. 2d 769 (N.D. Ill. 2006) (declining to resolve issue of whether plaintiff’s claims were barred by laches on motion to dismiss).
\textsuperscript{1169} See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
\textsuperscript{1170} See id. at 546.
\textsuperscript{1171} See CollegeNET, Inc. v. XAP Corp., 483 F. Supp. 2d 1058 (D. Or. 2007).
\textsuperscript{1172} Id. at 1063.
\textsuperscript{1173} Id.
one of its former licensees.1174 The basis for the claimed defense was that the defendant had sold unlicensed merchandise before, during, and after the period it sold authorized merchandise under the license. Rejecting this theory, the court focused instead on the time period between the termination of the license and the plaintiff's challenge to the defendant's post-termination sale of unauthorized merchandise. According to the court, “though [the defendant] is correct in asserting that [the plaintiff] did not complain of his unlicensed use of the marks until recently, the fact remains that [the defendant] sold licensed products until 2004. As soon as [the plaintiff] revoked [the defendant’s] license, the [plaintiff] began taking steps to ensure that he would not sell unlicensed products.”1175 Although not elaborating on the significance of this evidence, the court also found support for its holding in the plaintiff's pursuit of other infringers during the time period in question.1176

One defendant’s claim of prejudice proved an insufficient basis for a finding of laches, despite colorable evidence that the timing of the plaintiffs’ suit had been driven by strategic considerations.1177 According to the defendant, the filing had occurred shortly before the defendant’s introduction of a new product and shortly after its initial public offering. What’s more, the defendant argued, the plaintiffs’ vice president for global competitive intelligence participated in discussions concerning the suit. Unfortunately for the defendant, however, the court’s analysis focused on the relationship between the length of the plaintiffs’ delay in filing suit and the three-year statute of limitations applicable to equivalent state law causes of action. Because the plaintiffs had waited only two years and two months after the defendant’s adoption of the challenged term, the court concluded that “it was reasonable for plaintiffs to initiate suit shortly after defendant went public and received national attention.”1178 Moreover:

[A]t the time this suit was filed, defendant had not made many decisions regarding branding, because such decisions would have been premature. Defendant put forth evidence at trial regarding the hardship that would result if the court ruled in favor of plaintiffs, but this evidence does not demonstrate reliance by or prejudice to the defendant as a result of

1175. Id. at 527.
1176. See id.
1178. Id. at 856.
plaintiffs’ delay in filing this action. Accordingly, the court concludes that plaintiffs’ claims are not barred by laches.\textsuperscript{1179}

A final notable opinion rejecting a laches defense held that the counterclaim plaintiff could proceed with its Georgia statutory and common law claims despite the counterclaim defendant’s first use of the allegedly infringing mark years before the suit was filed.\textsuperscript{1180} There were two considerations underlying the court’s rejection of the counterclaim defendant’s motion for summary judgment on its laches defenses. First, the counterclaim defendant’s use had been an ongoing one, meaning that the appropriate trigger for evaluating the reasonableness of the counterclaim plaintiff’s delay was the counterclaim defendant’s \textit{cessation}, rather than \textit{initiation}, of the use. Second, the counterclaim defendant’s original use might or might not have been authorized by the counterclaim plaintiff; as a consequence, it was only when the use became \textit{unauthorized} that the counterclaim plaintiff was obligated to challenge it.\textsuperscript{1181}

Among courts holding that laches \textit{did} bar relief over the past year, the Ninth Circuit stood out with two opinions. In the first, the counterclaim plaintiff was an association that had been producing cheese under its trademark since 1918.\textsuperscript{1182} In 1975, a member of the association advised it of his intention to begin producing smoked meat products under a closely similar mark. With the counterclaim plaintiff’s apparent blessing, he then founded the counterclaim defendant, which at times sold its products through the counterclaim plaintiff’s own store and mail order catalog. Slow to anger, the counterclaim plaintiff then stood idly by while the counterclaim defendant filed two applications—one successful—to register its mark with the USPTO. When, however, the counterclaim defendant began to sell its products through grocery stores, the counterclaim plaintiff swung into action, first by filing \textit{inter partes} challenges to the counterclaim defendant’s filings in the USPTO and then, twenty-five years after its actual knowledge of the counterclaim defendant’s activities, by sending a demand letter that caused the counterclaim defendant to file a declaratory judgment action.\textsuperscript{1183}

Affirming the district court’s conclusion that the counterclaim plaintiff was guilty of laches as a matter of law, the Ninth Circuit began its analysis by noting that:

\begin{itemize}
  \item \textsuperscript{1179} \textit{Id.} (record citations omitted).
  \item \textsuperscript{1180} \textit{See} SCQuARE Int’l, Ltd. v. BBDO Atlanta, Inc., 455 F. Supp. 2d 1347 (N.D. Ga. 2006).
  \item \textsuperscript{1181} \textit{See id.} at 1371.
  \item \textsuperscript{1182} \textit{See} Tillamook Country Smoker, Inc. v. Tillamook County Creamery Ass’n, 465 F.3d 1102 (9th Cir. 2006).
  \item \textsuperscript{1183} \textit{See id.} at 1106-07.
\end{itemize}
In analogizing a laches claim where an injunction is sought, courts first determine when the statute of limitations period expired for “the most closely analogous action under state law.” If the plaintiff filed within that period, there is a strong presumption against laches. If the plaintiff filed outside that period, the presumption is reversed.\textsuperscript{1184}

Whatever the effect of these presumptions might be, the appellate court then identified six factors for determining whether a mark owner’s delay was reasonable, namely: (1) the length of value of the rights asserted; (2) the mark owner’s diligence in enforcing the rights to its mark; (3) the harm to the mark owner if relief were to be denied; (4) the degree of good faith ignorance of the mark owner’s rights by the junior user; (5) the extent of any competition between the mark owner and the junior user; and (6) the extent of any harm to the junior as a result of the mark owner’s delay.\textsuperscript{1185}

Although apparently conceding that laches had occurred vis-à-vis the counterclaim defendant’s original use, the counterclaim plaintiff offered four unconvincing reasons why it should be permitted to bring its claims at the relatively late date it had. First, its argument that it should be permitted to challenge the counterclaim defendant’s introduction of its products into grocery stores was rejected by the appellate court with the observation that “[e]ven though [the parties] may not have operated in the identical commercial channels at the time, the two companies were using similar marks on complementary products in the same geographical area, creating the prospect of confusion.”\textsuperscript{1186} Second, the counterclaim plaintiff’s contention that its delay was excused by the counterclaim defendant’s progressive encroachment fell short because any evolution of the counterclaim defendant’s packaging had not been material and because its expansion into grocery stores “represented normal business growth.”\textsuperscript{1187} Third, the counterclaim plaintiff’s allegation that the counterclaim defendant had acted in such bad faith that it was ineligible to invoke the laches defense was contradicted by the counterclaim plaintiff’s longstanding tolerance of the counterclaim defendant’s conduct.\textsuperscript{1188} Finally, the counterclaim plaintiff’s claim that its delay was outweighed by the public’s interest in avoiding the inevitable confusion that would result from the parties’ use of their respective marks was unavailing because “[the counterclaim plaintiff] has not

\textsuperscript{1184}. \textit{Id.} at 1108 (quoting Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829, 836 (9th Cir. 2002)).
\textsuperscript{1185}. \textit{See id.} at 1108.
\textsuperscript{1186}. \textit{Id.} at 1109.
\textsuperscript{1187}. \textit{Id.} at 1110.
\textsuperscript{1188}. \textit{See id.}
alleged that [the counterclaim defendant’s] meat snacks are harmful or otherwise threaten the public safety or wellbeing. It thus cannot show an overriding public interest that trumps [the counterclaim defendant’s] laches defense.”

In the second case, which also featured an extended period of delay, the Ninth Circuit relied upon the plaintiffs’ constructive knowledge of the defendant’s activities to affirm a conclusion that the plaintiffs’ claims were time-barred. According to the appellate court, “[i]t is well-established that we examine when a plaintiff ‘knew or should have known’ of the infringing activity to determine whether the plaintiff unreasonably delayed in bringing suit.” Because the plaintiff had had constructive knowledge of the allegedly infringing use as early as 1981 and no later than 1994, but failed to bring suit until 2003, the district court’s holding of laches had been appropriate.

In the midst of opinions either upholding or rejecting defendants’ claims of laches were those declining to resolve the issue. The leading example of such a disposition came from the Seventh Circuit, which reviewed a district court’s finding of laches as a matter of law. The appeal had its origins in a settlement agreement executed by the parties in 2000, which barred the defendant from using the word “blue” on its credit cards. The defendant continued to use the toll-free customer service number 1-888-BLUE-741 on its cards, however, which led the plaintiff in 2004 to allege a breach of the agreement. Seeking to defend its apparent inaction between 2000 and 2004, the plaintiff argued unsuccessfully to the district court that it had relied on the defendant to enforce the defendant’s own compliance with the agreement. The Seventh Circuit was even less sympathetic, observing that “[t]hat’s nothing short of an assertion that litigants are entitled to sleep on their rights. If they are, then the doctrine of laches is defunct.” Nevertheless, the appellate court also concluded “[s]till, unwarranted delay is not enough to foreclose relief. There must also be prejudice-reliance, to one’s detriment, on a belief that delay signaled approval of the acts in question.” Because the record was devoid of dispositive evidence on the issue of detrimental reliance, the appellate court therefore remanded the

1189. Id. at 1111.
1190. See Miller v. Glenn Miller Prods. Inc., 454 F.3d 975 (9th Cir. 2006).
1191. Id. at 980.
1192. See Blue Cross & Blue Shield Ass’n v. Am. Express Co., 467 F.3d 634 (7th Cir. 2006).
1193. Id. at 640.
1194. Id.
action for the district court to develop a more complete factual record.\footnote{1195}

The Sixth Circuit proved equally unsympathetic to a defendant alleging laches as a matter of law.\footnote{1196} The plaintiffs manufactured and sold the HUMMER motor vehicle, the front grille of which they had registered as a trademark, while the defendant sold a toy vehicle allegedly based on the plaintiffs’ larger models. In a 1993 exchange of correspondence, the defendant agreed to discontinue its use of a word mark the plaintiffs had found objectionable and therefore advised the plaintiffs that it would be revising its packaging. The plaintiffs responded by indicating that the defendant would “still be violating” the plaintiffs’ rights if it continued to sell its toy vehicles, an objection to which the defendant did not respond.\footnote{1197} Affirming the district court’s refusal to enter summary judgment in the defendant’s favor, the Sixth Circuit held that the plaintiffs’ letter created a justiciable issue of fact as to whether the plaintiffs knew that the defendant was actually still selling the toy vehicles. The court was equally dismissive of the defendant’s attempt to rely upon later correspondence in which the defendant inquired about a license to use the discontinued word mark; although that overture included pictures of the defendant’s vehicles, there was a dispute over whether the plaintiffs were aware that the defendant already was producing and selling the vehicles or, alternatively, whether the vehicles’ production depended on the extension of the requested word mark license by the plaintiffs.\footnote{1198}

Finally, one district court declined to address the merits of a laches defense by two defendants seeking to dismiss the plaintiffs’ case for failure to state a claim.\footnote{1199} The court’s holding on this point reflected the relatively low burden faced by the plaintiffs in notice pleading jurisdictions such as the United States: “Since laches is an affirmative defense, Plaintiffs are not required to anticipate or plead around it in their complaint, although they can plead themselves out of court by ‘setting forth everything necessary to satisfy the affirmative defense, such as when a complaint plainly reveals that an action is untimely.’”\footnote{1200}

\footnote{1195. See id. at 640-41.}
\footnote{1196. See Gen. Motors Corp. v. Lanard Toys, Inc., 468 F.3d 405 (6th Cir. 2006), cert. denied, 128 S. Ct. 356 (2007).}
\footnote{1197. See id. at 421.}
\footnote{1198. See id. at 421-22.}
\footnote{1199. See Plentye v. Kathrein, 485 F. Supp. 2d 903 (N.D. Ill. 2007).}
\footnote{1200. Id. at 916 (quoting Superior Paintless Dent Removal, Inc. v. Superior Dent Removal, Inc., 454 F. Supp. 2d 769, 771 (N.D. Ill. 2006)).}
Concluding that “Plaintiffs have not pleaded themselves out of court,” the court held that the plaintiffs’ case could proceed.1201

c. Acquiescence

“The defense of acquiescence, related to the defense of laches, requires a defendant to show (1) a representation by a senior user that it would not assert a right, (2) an inexcusable delay between that representation and the assertion the right, and (3) consequential prejudice.”1202 One court applying this standard found two reasons not to reach a finding of acquiescence despite the plaintiff’s acknowledged awareness of the defendants’ infringing uses.1203 First, the defendants were unable to identify any express representation by the plaintiff that it had no objections to the conduct it eventually challenged in the lawsuit. Second, the original uses tolerated by the plaintiff were in connection with goods not directly competitive to those of the plaintiff; to the extent that the plaintiff’s tolerance could be considered an implicit representation of acquiescence, “[i]t was a representation only that it would not enforce its rights with respect to the sale of [certain] equipment...”1204

Although not expressly referring to “acquiescence,” the Sixth Circuit similarly rejected one defendant’s attempted reliance on permission from the plaintiff as a defense to allegations of infringement and dilution.1205 The gravamen of the defendant’s position was that he had been encouraged in his activities by an employee of one of the plaintiff’s automobile dealerships. Even if the dealership itself might have had the right to use the plaintiff’s marks, however, the employee did not have the authority to grant that right to the defendant. Accordingly, the appellate court rejected this argument and upheld entry of summary judgment in the plaintiff’s favor.1206

d. Statutes of Limitations

The Lanham Act does not contain a statute of limitations, but state statutes occasionally make their way into unfair competition actions. The leading example of this phenomenon over the past year came in a case featuring claims brought under Georgia

1201. Id.
1203. See id. at 333.
1204. Id. at 335.
1205. See Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006).
1206. Id. at 546.
statutory and common law.\textsuperscript{1207} The parties agreed that the relevant statute of limitations on the plaintiff’s claims was four years but disagreed as to when that period began to run. The defendant argued that the trigger properly should be the inception of its allegedly infringing use, while the plaintiff argued that the defendant’s failure to discontinue that use constituted an ongoing series of infringements. The court ultimately agreed with the plaintiff, relying as well on the fact that the defendant’s initial use originally had been authorized and therefore could not be counted against the plaintiff.\textsuperscript{1208}

Two plaintiffs seeking to recover for unfair competition and deceptive trade practices under Oklahoma law similarly escaped application of the relevant statute of limitations.\textsuperscript{1209} The gravamen of the plaintiffs’ claims was that the defendants had failed to give the lead plaintiff credit as a co-author of a screenplay for a film that the defendants had produced. Although the omission itself occurred outside the three-year statute of limitations, the film had not been distributed commercially until later. Denying the defendants’ motion to dismiss, the court concluded that the plaintiffs’ causes of action had not accrued until the film had become commercially available. Indeed, “[i]f the defendants had not completed the act of selling the film to a distributor, these torts would not have occurred.”\textsuperscript{1210} Accordingly, because the plaintiffs had filed their suit within three years of the film’s distribution, their claims were not time-barred.\textsuperscript{1211}

e. Claim and Issue Preclusion

United States law generally recognizes three doctrines under which a litigant may be barred from relitigating a particular issue in either a later proceeding in the same case or a later case: (1) collateral estoppel; (2) res judicata; and (3) judicial estoppel. All three arose in reported decisions over the past year.

The most significant opinion in the area of collateral estoppel came from the Third Circuit, which rather surprisingly held that a Trademark Trial and Appeal Board holding of no likelihood of confusion prevented relitigation of the issue in a later district court action.\textsuperscript{1212} The defendant’s application to register its mark had

\begin{itemize}
  \item \textsuperscript{1207} See SCQuARE Int’l, Ltd. v. BBDO Atlanta, Inc., 455 F. Supp. 2d 1347 (N.D. Ga. 2006).
  \item \textsuperscript{1208} See id. at 1371.
  \item \textsuperscript{1209} See Chalfant v. Tubb, 453 F. Supp. 2d 1308 (N.D. Okla. 2006).
  \item \textsuperscript{1210} Id. at 1322.
  \item \textsuperscript{1211} See id.
  \item \textsuperscript{1212} See Jean Alexander Cosmetics, Inc. v. L’Oreal USA, Inc., 458 F.3d 244 (3d Cir. 2006), cert. denied, 127 S. Ct. 1878 (2007).
\end{itemize}
been blocked by a prior registration owned by the plaintiff, which led the defendant to petition for the cancellation of the plaintiff’s registration. Concluding that the plaintiff enjoyed priority of rights, the Board went on to hold further that there was no likelihood of confusion between the parties’ marks.\textsuperscript{1213}

Rather than appealing this determination, the defendant responded by applying to register an updated version of its mark. When the plaintiff opposed the defendant’s new application under Section 2(d), the Board concluded that its prior holding had collateral estoppel effect, notwithstanding the alternative nature of that holding. Affirming the district court’s affirmance of the Board’s decision, the Third Circuit identified four requirements for an application of collateral estoppel: (1) the identical issue had been previously adjudicated; (2) the issue had been actually litigated; (3) the previous determination had been necessary to the earlier decision; and (4) the party being precluded from relitigating the issue had been fully represented in the earlier proceeding.\textsuperscript{1214}

Although each of these requirements appeared to have been met, the plaintiff argued that, because the Board’s finding of no likelihood of confusion had been unnecessary to its holding in the defendant’s favor, collateral estoppel should not apply. Rejecting this claim, the appellate court explained that:

Litigants often raise multiple issues that are potentially dispositive of a case, and courts routinely address them in the interest of providing a complete and thoroughly reasoned decision. To permit or require relitigation of all alternative findings would eviscerate a great number of judicial determinations that were the products of costly litigation and careful deliberation.\textsuperscript{1215}

Collateral estoppel principles also made an appearance in a bankruptcy court opinion that examined whether to give preclusive effect to findings of infringement, dilution, and cybersquatting as a matter of law in earlier litigation between the parties.\textsuperscript{1216} The occasion for the bankruptcy court’s revisiting of the earlier opinion was a petition by the infringement plaintiff to exclude the monetary relief it had secured from the defendant’s dischargeable debt. Section 523 of the federal Bankruptcy Code excepts from discharge those debts resulting from “willful and malicious injury by the debtor to another entity or to the property

\textsuperscript{1213}. See id. at 246.
\textsuperscript{1214}. See id. at 249.
\textsuperscript{1215}. See id. at 254-55.
of another entity.” Notwithstanding admissions by the defendant that he had intended to invoke the plaintiff’s mark, the court declined to hold that the defendant was collaterally estopped from contesting dischargeability by the earlier findings of infringement and dilution. Rather, because “[f]raudulent or wrongful intent is not an essential element of unfair competition or infringement of a registered trademark,” and because the court in the previous action had not made any finding of intentional dilution, the identity of issues required by the test for collateral estoppel did not exist as to those aspects of the prior action.

The situation was different, however, where the plaintiff’s past successful claim under the ACPA was concerned. On that subject, the court noted that “[b]ecause a finding of ‘bad faith intent’ is an essential element of an ACPA cause of action, the court concludes that [the defendant’s] cybersquatting in violation of the ACPA constituted a categorically harmful activity which necessarily caused injury to [the plaintiff] within the scope of [the Bankruptcy Code].” Under these circumstances, the court held that the statutory damages to which the plaintiff had been entitled in the earlier action were nondischargeable.

The doctrine of judicial estoppel came into play in a Ninth Circuit appeal from a denial of a preliminary injunction motion in which the defendant averred that the plaintiff should be barred from contesting an adverse application of certain likelihood of confusion factors. The dispute had its origins in an earlier lawsuit between the parties in which their positions had been reversed and the defendant had unsuccessfully pursued infringement claims against the plaintiff; when the defendant’s use evolved to one closer to that of the plaintiff, it was the plaintiff who then sought relief. Referring to the plaintiff’s contrary positions in the earlier dispute, the defendant convinced the district court that the plaintiff was judicially estopped from arguing that (1) the parties’ marks did not occupy a crowded field; (2) the parties used similar marketing channels that were likely to overlap even more in the future; (3) the parties’ customers were not sophisticated; and (4) post-purchase confusion was likely.

Affirming in part and reversing in part, the Ninth Circuit held that:

1218. Wright, 355 B.R. at 202 n.16.
1219. See id. at 208.
1220. Id. at 212.
1221. See id. at 213.
1222. See Abercrombie & Fitch Co. v. Moose Creek, Inc., 486 F.3d 629 (9th Cir. 2007).
1223. See id. at 634-35.
Several factors typically inform a court's decision whether to apply judicial estoppel. First, a party's later position must be clearly inconsistent with its earlier position. Second, courts often inquire whether the party achieved success in the prior proceeding, as judicial acceptance of an inconsistent position in a later proceeding would create the perception that either the first or the second court was misled. Third, courts consider whether, if not estopped, the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the other party.\textsuperscript{1224}

Looking to the plaintiff's prior arguments, the court held that the plaintiff had failed to distinguish its prior claim that the parties used dissimilar channels of distribution and the district court therefore had not abused its discretion by barring the plaintiff from adopting an inconsistent position.\textsuperscript{1225} At the same time, however, the plaintiff was not judicially estopped from arguing that its mark was strong in light of the success of its enforcement efforts in eliminating many of the third-party uses upon which it had relied in the earlier case.\textsuperscript{1226} The plaintiff was also permitted to put forward evidence that the relevant consumers were not sophisticated because those consumers differed from the previous ones at issue.\textsuperscript{1227} Finally, the court held that the district court had erred in preventing the plaintiff from arguing that post-purchase confusion was likely on the ground that the plaintiff had never asserted the contrary position.\textsuperscript{1228}

On a related issue, one court declined to hold that averments of a date of first use in an application for a state trademark registration necessarily precluded a claim of an earlier date in later litigation over the registered mark.\textsuperscript{1229} In a case presenting just such a scenario, the plaintiffs claimed that the defendants were bound by the date recited in their Massachusetts registration and therefore unable to establish an earlier date that would give them priority over the plaintiffs. The court was skeptical that the defendants' conduct fell within the scope of the judicial estoppel doctrine, which it held “should be confined to instances ‘when a litigant is playing fast and loose with the courts, and when intentional self-contradiction is being used as a means of obtaining unfair advantage.’”\textsuperscript{1230} Rejecting the plaintiffs' motion for summary

\textsuperscript{1224} Id. at 633 (internal quotation marks and citations omitted).
\textsuperscript{1225} See id. at 634.
\textsuperscript{1226} See id. at 634.
\textsuperscript{1227} See id. at 634-35.
\textsuperscript{1228} See id. at 635.
\textsuperscript{1230} Id. at 127 (quoting SEC v. Happ, 392 F.3d 12, 20 (1st Cir. 2004)).
judgment on the subject, the court held that “it is difficult to see what advantage Defendants could have obtained by asserting that the . . . mark was not used until [the date recited in the state registration]. The most that can be said is that [the lead defendant] has taken inconsistent positions; not all inconsistencies result in judicial estoppel.”1231

A similar result occurred in a case in which the defendants sought to preclude the plaintiff from introducing evidence of likely confusion inconsistent with arguments that the plaintiff had made while pursuing registration of its mark with the USPTO.1232 The issue faced by the plaintiff in the earlier context was the extent of likely confusion between its VIBE mark for a liquid dietary supplement and the prior-registered EYE-VIBE mark for food, nutritional supplements, and vitamins. Once having successfully argued that confusion between those marks was unlikely, the plaintiff turned its attention to the defendants’ use of AQUAVIBE and VIBE IN TUNE WITH YOUR LIFE for bottled water. Invoking authority from the patent context, the defendants argued in a motion for summary judgment that the plaintiff should be bound by its earlier arguments. The court did not bite:

The few courts that have allowed the use of statements made to the USPTO generally consider them only as one factor used to evaluate whether likelihood of confusion exists. The courts that have disallowed the use of such statements focus on the fact that statements made to the USPTO do not bind registrants for all time.

Unlike patents, trademarks are dynamic in that they can gain or lose strength over time. As such, arguments made with respect to a certain trademark also may change over time. At this stage in the proceedings, viewing the evidence in the light most favorable to [the plaintiff], the Court declines to find that [the plaintiff] is estopped from making arguments contrary to those it presented to the USPTO in response to the adverse action. Defendants, however, are free to raise this issue again at trial.1233

1231. Id. (citations omitted).
1233. Id. at 1049 (citations omitted).
E. Remedies

1. Injunctive Relief

a. Preliminary Injunctions

Depending on the jurisdiction, a plaintiff seeking preliminary injunctive relief “ordinarily must show: (a) that it will suffer irreparable harm in the absence of an injunction and (b) either (i) a likelihood of success on the merits or (ii) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the movant’s favor.” 1234 The public’s interest in avoiding deception inevitably also comes into play, and can even warrant preliminary relief if a plaintiff otherwise has difficulty satisfying these standards. 1235

As usual, many courts held that a plaintiff’s demonstration of likely success on the merits of its unfair competition claims established the required irreparable harm. 1236 Thus, for example, one court entering interlocutory relief explained that “since [the plaintiff] has demonstrated actual confusion, it has also demonstrated irreparable injury as a matter of law.” 1237 Another court hearing a case against a group of holdover franchisees held that “in cases such as this, courts have consistently held that a franchisor’s inability to control the nature and quality of goods and services provided under its marks irreparably harms the goodwill associated with those marks and devalues them, thus warranting injunctive relief.” 1238 Still another court held in the false advertising context that a plaintiff’s demonstration that its competitor’s advertising was literally false created a presumption


1235. See, e.g., id. at 336 (entering preliminary injunction based in part on public interest and despite evidence that “the balance of hardships is in something approaching equipoise”).

1236. See, e.g., HER, Inc. v. RE/MAX First Choice, LLC, 468 F. Supp. 2d 964, 977 (S.D. Ohio 2007) (“[T]he court finds a likelihood of confusion as a result of the Defendants’ use of [their] domain names . . . [and] concludes that Plaintiffs will suffer irreparable harm if the Court does not enjoin [the defendants’] conduct.”); Nw. Airlines, Inc v. Bauer, 467 F. Supp. 2d 957, 963 (D.N.D. 2006) (“As [the plaintiff asserts], irreparable harm is presumed where a plaintiff shows a likelihood of confusion.”); Fusco Group, Inc. v. Loss Consultants Int’l, Inc., 462 F. Supp. 2d 321, 332 (N.D.N.Y. 2006) (“Irreparable injury usually follows inevitably in a trademark infringement case once a strong likelihood of confusion is demonstrated, since damage to reputation is difficult to prove or quantify.”); Int’l Profit Assocs. v. Paisola, 461 F. Supp. 2d 672, 679 (N.D. Ill. 2006) (“Because it is difficult to assess damages associated with loss of goodwill, such damages are considered to have no adequate remedy at law, and to be irreparable.”).


of irreparable harm even if the challenged advertising did not refer to the plaintiff by name.1239

At least one court addressing allegations of false advertising set the bar higher.1240 The plaintiff was a manufacturer of pharmaceutical products that objected to various promotional practices of certain of its competitors. In response to the plaintiff’s argument that it was entitled to relief merely because it had shown a likelihood of success on the merits, the court held that “[a]lthough such a presumption would apply if this were a trademark infringement case, [the] presumption of injury is applied differently in the context of false advertising claims.”1241 Although rejecting the plaintiff’s claim of irreparable harm as to many of the defendants’ practices, the court found that favorable survey evidence tipped the balance as to one of them.1242 Because that evidence suggested that the advertising in question was likely to lead to reduced sales by the plaintiff, a finding of irreparable harm followed.1243

Plaintiffs able to demonstrate their eligibility for relief against infringement also had no difficulty establishing that an injunction was in the public interest. According to one court entering preliminary relief, “[t]he public interest is always served by requiring compliance with Congressional statutes such as the Lanham Act and by enjoining the use of infringing marks.”1244 Another concluded in a cybersquatting action in which a defendant had registered domains corresponding to the names of a real estate firm and its members that “[t]he use of the Plaintiffs’ personal and professional names is misleading and the Court concludes that enjoining this use serves the public interest.”1245

Despite the ease with which plaintiffs typically are able to satisfy these prerequisites for relief, some still fell short.1246 For example, when one set of plaintiffs failed to move for a temporary restraining order and preliminary injunction for six months after learning of the defendants’ use, and five months after filing suit, the court was unconvinced by the plaintiffs’ claims of irreparable

1241. Id. at 945.
1242. See id. at 946.
1243. See id.
harm. As the court explained, “although settlement discussions might entail some delay in seeking injunctive relief, it is difficult to see how they would support Plaintiffs’ delay of over six (6) months from the time of learning of the alleged infringing conduct and seeking injunctive relief from the court.”

Another defendant escaping the specter of preliminary injunctive relief did so in part by invoking the damage that an injunction against the continued distribution of its children’s toys and related products would cause. Because of the weakness of the plaintiff’s case on the merits, there was no compelling showing that harm would result if an injunction were not issued. In contrast, the defendant’s showing established to the court’s satisfaction that:

[Defendant’s] toys are already in stores, in customer distribution centers and warehouses throughout the United States, and in daily production. If enjoined, Defendant would be faced with the cost of recalling all of its products already in the hands of consumers; shipping them back to [Defendant]; designing, printing and fabricating new packaging; re-boxing the products and distributing them once again. Even if the court were to limit an injunction to [the Plaintiff’s geographic area], such an injunction would cause significant monetary losses to [Defendant].

Under ordinary circumstances, these concerns might be addressed by the plaintiff’s posting of a bond to cover the defendant’s losses; here, however, “the court is concerned that the bond required to protect Defendant’s interests should Plaintiff not succeed on the merits of its case would be so large as to be impossible for Plaintiff to provide.”

A final notable decision denying preliminary injunctive relief in the face of a showing of likely confusion came in litigation brought by a group of restaurant owners against a non-profit group and its members. The defendants had affixed the plaintiffs’ marks to leaflets that appeared to have been prepared by the plaintiffs but, when opened, contained commentary that was harshly critical of them. Holding that “reliance on the general presumption of irreparable harm is . . . insufficient,” the court observed that:

1248. Id. at 609 n.5.
1250. Id. at 459-60.
1251. Id. at 460.
Defendants do not profit from the distribution of the leaflets, and therefore there would be no need to engage in a speculative disgorgement calculation should plaintiffs prevail at trial. Furthermore, there is no risk that individuals, frustrated by the confusion caused by defendants’ use of plaintiffs’ marks, will simply turn away from plaintiffs’ restaurants and defendants’ leaflets. . . . [T]he confusion here at issue is dispelled almost instantly when a passer-by reads the contents of defendants’ pamphlet. . . . Defendants’ use of plaintiffs’ marks undoubtedly causes some passers-by to read one of defendants’ leaflets who otherwise would not have done so. That confusion, however, will not result in any loss of sales for plaintiffs. . . . Rather, it is the message inside the leaflet that might cause the reader to choose to dine elsewhere. That harm, however, results from defendants’ criticism, not defendants’ use of plaintiffs’ marks, and therefore it cannot provide the irreparable harm necessary to support an injunction under the Lanham Act.\footnote{1253}

\textbf{b. Permanent Injunctions}

Quoting authority from its reviewing court, one Third Circuit district court held that:

In determining whether to grant a request for a permanent injunction, the court must consider whether:

1. the moving party has shown actual success on the merits;
2. the moving party will be irreparably injured by the denial of injunctive relief;
3. the granting of the permanent injunction will result in even greater harm to the defendant; and
4. the injunction would be in the public interest.\footnote{1254}

Prevailing plaintiffs did well in securing permanent injunctive relief over the past year. For example, one court held that “permanent injunctions are generally granted where liability has been established and there is a threat of continuing infringement.”\footnote{1255} This is because “[t]he harm threatened by the continued use of the infringing mark by the defendants constitutes

\footnote{1253}{\textit{Id.} at 294.}
\footnote{1255}{U2 Home Entm’t, Inc. v. Fu Shun Wang, 482 F. Supp. 2d 314, 319 (E.D.N.Y. 2007) (adopting magistrate’s report and recommendation).}
irreparable harm.” 1256 Moreover, these principles may apply with greater force, and a permanent injunction even more appropriate, if a defendant has repeatedly violated an earlier preliminary injunction.1257 Finally, as one court explained over the past year, “[h]aving already established that there is a likelihood of consumer confusion created by the concurrent use of the . . . marks, it follows that if such use continues, the public interest would be damaged.” 1258

2. Contempt

Proving contempt can be a difficult task for plaintiffs, but some defendants go out of their way to make it possible.1259 One individual defendant and his company had been repeatedly sued for various uses of his name, Alfredo Versace, that were found to infringe the rights of the owner of the VERSACE mark for various fashion items.1260 Although the resulting preliminary injunction permitted the individual defendant to make certain uses of his name coupled with a disclaimer, he quickly exceeded them and found himself the target of a motion for contempt. The moving papers alleged, among other things, that the individual defendant had failed to satisfy his financial obligations under prior orders, had donated goods bearing the VERSACE mark to a charity auction, had failed to monitor the Internet for resellers of his infringing goods, and had used his son to establish a puppet corporation to violate the terms of the injunction. In a detailed opinion, the court found the trademark owner's showing on each point convincing. Finding for the fifth time that the individual defendant had violated its order, the court concluded that “there is reason to believe that [the individual defendant] is in criminal contempt. . . .”1261 What’s more, “[t]here also is reason to believe

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1257. See Faegre & Benson, LLP v. Purdy, 447 F. Supp. 2d 1008, 1019 (D. Minn. 2006) (“Plaintiffs have established a threat of irreparable harm because Defendants have demonstrated that they will not stop . . . [engaging] in violation of the law.”).


1261. Id. at 277.
that [the individual defendant] may have perjured himself before the Court. Therefore, the Court refers this case to the United States Attorneys’ Office for investigation and, if the United States Attorney deems it appropriate, prosecution.”

3. Monetary Recovery
   
   a. Actual Damages

   (1) Plaintiffs’ Entitlement to Awards of Actual Damages

   Awards of actual damages in unfair competition cases continued to be rare, but they did occur. For example, in a dispute between a plaintiff university and a retailer of unauthorized merchandise bearing imitations of the plaintiff’s marks, the plaintiff established that the defendant had been one of its former licensees. Under these circumstances, the court accepted the plaintiff’s argument that an appropriate measure of the plaintiff’s damages was an application of the originally agreed-upon rate by the defendant following his termination as a licensee: “Here, [the plaintiff] is entitled to such damages in the form of the royalties that it would have received on the sale of the unlicensed products.”

   An award of actual damages under state law occurred in at least one case. In a right of publicity dispute triggered by the appearance in a comic book of a mafia boss with the same name as one used by the plaintiff, who was a former professional hockey player, the Missouri Court of Appeals upheld the trial court’s entry of two types of actual damages. The first was an award to compensate the plaintiff for endorsement opportunities he had lost as a result of the defendants’ use of his pseudonym name in an unflattering context. The second swept in royalties not only on sales of goods featuring the offending pseudonym, but on all other related goods produced by the defendants, regardless of whether the pseudonym was used in conjunction with them.

1262. Id.
1263. See, e.g., Pods, Inc. v. Porta Stor, Inc., 484 F.3d 1359 (Fed. Cir.) (affirming, without extended analysis, jury award of $1.00 in damages under Lanham Act and $15,000 in damages under Florida law), cert. denied, 128 S. Ct. 618 (2007); JCW Inv., Inc. v. Novelty, Inc., 482 F.3d 910 (7th Cir. 2007) (noting, but not addressing on appeal, jury award of $125,000 as actual damages for plaintiff’s lost profits), later proceedings, No. 05-2498, 2007 WL 4179390 (7th Cir. Nov. 28, 2007).
1265. Id. at 526.
1267. See id. at 63-70.
1268. See id. at 67-70.
(2) Plaintiffs’ Entitlement to Awards of Statutory Damages

There are two bases for awards of statutory damages in federal unfair competition cases. First, Section 35(c) provides that, in cases involving the trafficking of goods bearing counterfeit marks, the plaintiff may elect to receive “not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold”; moreover, an award of up to $1,000,000 is possible “if the court finds that use of the counterfeit mark was willful.”1269 Second, in cases involving violations of the ACPA, Section 35(d) allows a prevailing plaintiff to elect an award of statutory damages “in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.”1270

As usual, awards of statutory damages were rare, but they did occur.1271 For example, one court was unsympathetic to the defendant’s claims that he had inadvertently trafficked in cigarettes bearing counterfeit marks:

Here, Defendant willfully blinded himself to facts that would put him on notice that he was infringing another’s trademarks. Among other things, he did not know the person who hired him to transport the counterfeit cigarettes or what was in the containers, but he was eager to do this job and establish an ongoing business relationship with him; he failed to keep the records he would otherwise normally keep; he never met the person who hired him, despite that person’s repeated promises to meet with Defendant during the unloading and transportation; Defendant signed a “bill of lading” to acknowledge receipt of the container, which he had never done before, yet he did not question it; he did not question transporting the containers to public storage units; and most tellingly, Defendant completely disregarded a third-party’s statement that there was a problem with the shipment, that he would no longer assist with the transloading, and that he suggested Defendant do the same.1272

Based on the defendant’s willful blindness, the court awarded statutory damages in the amount of $1,000,000 per each of the two marks infringed by the defendant.1273

1270. Id. § 1117(d).
1271. For an example of an opinion awarding statutory damages on an unopposed motion for a default judgment, see Microsoft Corp. v. McGee, 490 F. Supp. 2d 874, 881-82 (S.D. Ohio 2007) (granting plaintiff's request for statutory damages of $710,000).
1273. See id. at 1124.
Although not necessarily rejecting a request for augmented statutory damages on the merits, the court in another case declined to grant them on the plaintiff's motion for summary judgment.\textsuperscript{1274} The defendant had been held liable for trafficking in cigarettes bearing counterfeit marks, but the court was unconvinced that the defendant's conduct rose to the level of willfulness required to justify an award of up to $1,000,000 per violation. In particular, after reviewing the record evidence in the light most favorable to the defendant, the court concluded that "Plaintiff has failed to show that Defendant knew that some of the cigarettes at the [defendant's] store were counterfeit, or that Defendant sold the counterfeit cigarettes after having knowledge that the cigarettes were counterfeit."\textsuperscript{1275} Accordingly, the plaintiff's motion for summary judgment was denied to the extent that it sought a finding of willfulness.\textsuperscript{1276}

(3) Plaintiffs’ Entitlement to Awards of Punitive Damages

Section 35 of the Lanham Act prohibits the imposition of punitive damages for unfair competition under federal law,\textsuperscript{1277} but this bar does not preempt similar awards under state law.\textsuperscript{1278} Rejecting arguments to the contrary by a defendant tagged with an award of $50,000 of punitive damages under an Illinois unfair competition cause of action, the Seventh Circuit noted in one case\textsuperscript{1279} that "[f]ederal law preempts state law in three situations: (1) when the federal statute explicitly provides for preemption; (2) when Congress intended to occupy the field completely; and (3) ‘where state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.’"\textsuperscript{1280} Concluding that only the third prong of this analysis was at issue, the court held that:

\begin{itemize}
  \item \textsuperscript{1274} See Lorillard Tobacco Co. v. Van Dyke Liquor Mkt., Inc., 471 F. Supp. 2d 822 (E.D. Mich. 2007).
  \item \textsuperscript{1275} Id. at 834.
  \item \textsuperscript{1276} See id.
  \item \textsuperscript{1277} For an opinion dismissing a claim for punitive damages under the Act for failure to state a claim, see Wm. R. Hague, Inc. v. Sandburg, 468 F. Supp. 2d 952, 962 (S.D. Ohio 2006); see also Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072, 1087-88 (C.D. Cal. 2006) (concluding after bench trial that “[p]unitive damages are not available under the Lanham Act”).
  \item \textsuperscript{1278} See, e.g., SCQuARE Int'l, Ltd. v. BBDO Atlanta, Inc., 455 F. Supp. 2d 1347, 1369 (N.D. Ga. 2006) (declining to enter summary judgment in defendants' favor on plaintiff's claims of punitive damages under Georgia law on ground that “[t]here is evidence in this case that defendant misappropriated plaintiff's intellectual property”).
  \item \textsuperscript{1279} See JCW Invs., Inc. v. Novelty, Inc., 482 F.3d 910 (7th Cir.), later proceedings, No. 05-2498, 2007 WL 4179390 (7th Cir. Nov. 28, 2007).
  \item \textsuperscript{1280} Id. at 918 (quoting Sprietsma v. Mercury Marine, 537 U.S. 51 (2002)).
\end{itemize}
Even the portion of the Lanham Act indicating that compensation under federal law shall not constitute a “penalty” does not, either expressly or by necessary implication, mean that state law permitting punitive damages under defined conditions are preempted. . . . [T]o the extent that state substantive law survives and is coterminal with federal law in this area, state law remedies should survive as well. In the area of trademark law, preemption is the exception rather than the rule. . . . In light of the fact that the Lanham Act has not been interpreted as a statute with broad preemptive reach, we conclude that Congress would have acted more clearly if it had intended to displace state punitive damage remedies.1281

In a case in which preemption apparently was not an issue, a jury’s award of $150,000 under Kansas law withstood a post-verdict challenge by the defendants.1282 The basis for the defendants’ motion for judgment as a matter of law was that the plaintiff had failed to prove actual damages of any consequence. Although the jury’s award of $2,500 in actual damages was indeed dwarfed by the award of punitive damages, the court declined to overturn the jury’s decision. Rather, it upheld the verdict on the ground that the plaintiff was not required to assign an actual dollar value to its claimed actual damages. What’s more, “the Court disagrees that [the plaintiff] produced no evidence of substantial actual damages;”1283 that evidence apparently included a decline in the plaintiff’s sales, as well as cancelled orders and an increase in consumer complaints.1284

(4) Calculation of Damages

As usual, cases addressing the mechanics of calculating damages were few and far between, but they still occurred.1285 Those reported opinions on the subject tended to focus on plaintiffs’ damages in the form of lost royalty rates,1286 with at least two presenting contrasting receptive and unreceptive

1281. Id. at 919.
1283. Id. at 1170.
1284. See id. at 1167-68.
attitudes toward expert witness testimony aimed at establishing actual damages under this theory.

For example, an opinion from the Missouri Court of Appeals affirmed the trial court’s reliance on expert witnesses to determine the proper quantum of relief for a plaintiff who had successfully invoked Missouri right of publicity doctrine in a challenge to the use of his pseudonym as the name of a fictional mafia boss in a comic book series. As characterized by the appellate court, the first witness testified that the plaintiff had lost between $3 million and $50 million in endorsement opportunities because the plaintiff “had all the qualities necessary to be an endorser for or associated with major brand products based on his engaging personality, ability to interact with consumers, tremendous base of hockey fans and work ethic.”

The opinion of the expert in the second case, who testified on an appropriate royalty rate for the use of the plaintiff’s pseudonym, was less conventional. According to this expert, the plaintiff was entitled to a 15% royalty rate on sales of products with which his pseudonym was associated and a 9% royalty on sales of all other related goods, regardless of whether his pseudonym or the offending character actually appeared in conjunction with them. Significantly, this latter category of goods included comic books produced by the defendants before the introduction of the character. The appellate court was surprisingly unconcerned with either the retroactive nature of the proposed royalty or with its application to goods with no apparent direct nexus to the plaintiff’s claims. Rather, it concluded that the expert’s opinion on the subject could be justified on the theory that later issues of the comic book featuring the character would stimulate sales of earlier issues.

Of course, expert witness testimony is not necessary to demonstrate actual damages in the form of lost royalties, but the plaintiff’s burden of proof can be even more difficult to satisfy in its absence. For example, one plaintiff secured a default judgment of liability, only to have the defendant appear to contest the quantum of monetary relief. In support of its request for an award of lost royalties, the plaintiff urged the court to accept projections of the defendant’s sales based on information shared between the parties during earlier unrelated negotiations. In declining to accept this invitation, the court noted that “[a]ctual damages, whether they be for violation of trademark rights . . . or unfair competition laws,

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1288. Id. at 63.
1289. See id. at 69-70.
must be rationally based on evidence and not mere speculation.”1291 It identified several considerations why the earlier projections might not be a reliable basis for the requested award, including: (1) the absence of supporting expert testimony; (2) the dependence of industry participants on relationships with their customers (rather than, presumably, brand loyalty); (3) a slump in the relevant market that the figures did not anticipate; (4) the plaintiff’s subsequent purchase at a liquidation sale of the defendants’ assets for a price lower than the value assigned to the assets in the projections; (5) the plaintiff’s possible manipulation of the numbers; and (6) the plaintiff’s failure to discount the requested award by the sales they continued to make (and therefore did not lose to the defendant).1292 Under these circumstances, and although allowing an award of royalties based on the defendant’s actual sales,1293 the court held that any recovery based on the projections was “too speculative.”1294

(5) Augmentation of Awards of Actual Damages

The propriety of an augmentation of an award of actual damages is an issue that reported opinions address infrequently at best, but the issue did make a substantive appearance in at least two cases over the past year. In the first, the court trebled a jury award of actual damages “because the jury found that [the lead defendant] intended to derive a benefit from [the plaintiff’s] goodwill or reputation at the time of its initial use of the [infringing] mark and because courts have found that the remedies under [Section 35] also are intended to deter future infringing activities.”1295 In contrast, the second court, although considering the issue at length, found evidence of the defendant’s willfulness to be insufficiently compelling to warrant an augmentation.1296

b. Accountings of Profits

(1) Plaintiffs’ Entitlement to Accountings

For decades, the clear majority rule when evaluating a prevailing plaintiff’s entitlement to accountings of profits was to
require a showing of bad faith conduct by the defendant. 1297 This
standard’s status as a bright-line rule has begun to crumble in
recent years, however, and the Fourth Circuit became the latest
court to abandon it, albeit in an opinion that badly confused the
equitable remedy of an accounting with the separate legal remedy
of an award of actual damages. 1298 Vacating the district court’s
order of an accounting because it “did not specify the equitable
factors it had utilized in making such an award,” 1299 the appellate
court held that:

In making a damages award [sic], the Third and the Fifth
Circuits have identified six factors to guide the process. As
those courts have spelled out, these factors include:

1. whether the defendant had the intent to confuse or
deceive, 2. whether sales have been diverted, 3. the
adequacy of other remedies, 4. any unreasonable delay by
the plaintiff in asserting his rights, 5. the public interest
in making the misconduct unprofitable, and 6. whether it
is a case of palming off.1300

In explaining this standard, the court further held that although a
finding of willfulness “is a proper and important factor in an
assessment of whether to make a damages award, it is not an
essential predicate thereto. In other words, a lack of willfulness or
bad faith should weigh against an award of damages being made,
but does not necessarily preclude such an award.” 1301

Of course, even if willfulness is found, the equitable nature of
an accounting of profits precludes it from being an automatic
remedy. For example, one district court declined to order the
disgorgement of profits from a defendant that had engaged in
deliberate false advertising after concluding that a jury award of
actual damages adequately compensated the plaintiff for its
losses. 1302 According to the court, “[the plaintiff] did not present
evidence or attempt to argue that the only reasonable measure of
its lost profits was the amount of [the defendant’s] profits nor

1297. See, e.g., Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072, 1087 (C.D.
Cal. 2006) (granting plaintiff’s request for an accounting of profits based on “evidence show[ing] that Defendant . . . was aware of the strength of [the plaintiff’s jewelry] trade
dress and designed and marketed his . . . jewelry to capitalize on this strength in a high-
demand market”).
1299. Id. at 174.
1300. Id. (quoting Quick Techs., Inc. v. Sage Group PLC, 313 F.3d 338, 349 (5th Cir.
2002)) (citations omitted).
1301. Id. at 175 (citation omitted).
could it reasonably do so...” Therefore, “[o]n this record, the Court concludes [that] a disgorgement of [the defendant’s] profits would constitute a prohibitive penalty against [the defendant] rather than appropriate compensation to [the plaintiff].”

The Federal Circuit similarly conflated the legal remedy of actual damages and the equitable remedy of an accounting of profits. The plaintiff had secured a jury award of $2.95 million in actual damages for utility patent infringement, based in substantial part on expert witness testimony of its lost royalties, as well as the disgorgement of $1 million of the defendants’ profits. Taking issue with the latter, the appellate court vacated it. As it explained:

[A]ll of the damages awarded to [the plaintiff] flowed from the same operative facts. . . . [The plaintiff] was fully compensated for defendants’ patent infringement when it was awarded a reasonable royalty for patent infringement. . . . It could not also be awarded defendants’ profits for trademark infringement based on sales of the same accused devices.

. . . [E]ven though damages are claimed based on separate statutes or causes of action, when the facts arise out of the same set of operative facts, as is the case here, there may be only one recovery.

Another court declining to order an accounting of profits was faced with a jury award that failed to distinguish between the components of the monetary relief the award encompassed. It was apparent to the court, and apparently the prevailing plaintiff as well, that the jury intended to compensate the plaintiff for actual damages represented by lost royalty revenue. Rebuffing the plaintiff’s efforts to capture the lead defendants’ profits in addition to reimbursement of its actual damages, the court identified several reasons for its decision. First, the plaintiff had never licensed the use of its mark for use in connection with the goods sold by the defendant. Second, a disgorgement of profits would be inappropriate in light of record evidence that the lead defendant’s profits had not been attributable to the infringing use; indeed, those profits had increased following the discontinuance of the infringing mark. Finally, the plaintiff’s lengthy delay in

1303. Id. at 1068.
1304. Id.
1306. Id. at 1019-20.
1308. See id. at 739.
1309. See id. at 739-40.
bringing suit was “perhaps the most important reason why the Court believes that it would be inappropriate to disgorge [the lead defendant] of its pre-suit profits.”

(2) The Accounting Process

Section 35 of the Act provides in part that:

In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. . . . If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.

One of the more notable opinions applying this language over the past year came in an action that had produced a multimillion dollar jury award based on the three percent of the defendants’ revenues allegedly attributable to the use of an infringing mark. Although the plaintiffs made this showing in support of their claim to actual damages, both the district court and the Federal Circuit recognized that the result was more accurately characterized as an accounting of the defendant’s profits. The problem with the showing, however, was that it was grounded in the testimony of an expert who had failed to explain how he had settled on the three percent rate in question. Under these circumstances, and in light of other unspecified “equitable considerations,” the Federal Court held that the district court had not abused its discretion in setting aside the award.

Other courts took harder lines toward infringing defendants subject to the accounting process. One was faced with a defendant’s failure to offer any evidence of permissible deductions in response to the plaintiff’s evidentiary showing of the defendant’s overall revenues during the period of infringement. Ordering an accounting of the entire amount of those revenues, the court held that “[w]ithout such evidence, [the plaintiff] is entitled to the full amount of [the defendant’s] profits. According to the plain meaning of the Act, the plaintiff is entitled to the full amount of the defendant’s gross sales where the defendant has not produced any

1310. Id. at 740.
1313. See id. at 1274.
1314. See id.
evidence of deductions.” The result was a multimillion dollar judgment in the plaintiff’s favor.

The same result transpired in a case in which the defendant’s showing was similarly deficient. Examining the defendant’s tax returns, an expert retained by the plaintiffs determined that the defendant had enjoyed $2,341,562.52 in gross revenues from its sale of infringing goods. At the same time, however, the court found that “[d]efendants have not produced any credible evidence of deductible costs of apportionment (i.e., evidence showing that a greater portion of the revenues were actually generated from sales . . . other than the . . . [infringing] line [of goods]).” Under these circumstances, the court concluded that the plaintiffs were entitled to an accounting of the defendants’ entire revenues, albeit in an opinion mistakenly characterizing the monetary relief it was entering as “damages.”

c. Awards of Prejudgment Interest

Although Section 35 does not expressly contemplate the recovery of prejudgment interest, some courts have exercised their discretion to make such awards in the past. As one district court confirmed, however, the imposition of prejudgment interest on a losing party should be reserved for “exceptional” cases. Applying this standard to the facts before it, the court concluded that the plaintiffs’ delay in asserting their claims precluded them from establishing their entitlement to this remedy, notwithstanding the court’s late conclusion that the case was indeed an exceptional one for purposes of an award of attorneys’ fees.

1316. Id. at 525-26.
1317. See id. at 526.
1319. Id. at 1081.
1320. See id. at 1088.
1323. See id. at 740.
1324. See id. at 741-42.
**d. Awards of Costs**

Under Section 35, prevailing parties are ordinarily entitled to an award of their costs as a matter of course.\(^{1325}\) It is rare that a defendant hit with a multimillion dollar judgment for unfair competition under Section 43(a) is found to be a prevailing party, but such a result held in one Seventh Circuit appeal.\(^{1326}\) Hearing the plaintiff’s claims at trial, a jury found the plaintiff was entitled to damages in the amount of $18.6 million. The defendant convinced the district court and the Seventh Circuit to reduce this sum to $3 million, but incurred over $1 million in costs securing the judgment in the interim. As the putative prevailing party in its challenge to the actual damage award, the defendant then successfully pursued reimbursement of $1.1 million in costs from the district court. Hearing the case for the second time, the Seventh Circuit affirmed, concluding that “the district court did not abuse its discretion by taxing the costs that [the defendant] paid to obtain its loan [to secure the judgment], but only to the extent those costs can be allocated to the period of time the case was on appeal.”\(^{1327}\)

**4. Attorneys’ Fees**

There are a number of mechanisms for awards of attorneys’ fees in trademark and unfair competition litigation. Although it is possible in some jurisdictions for prevailing parties to secure awards of fees under state law,\(^{1328}\) most cases to have addressed the subject have done so under federal law, which generally recognizes five bases for fee awards. First, Section 35(a) of the Act provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party,”\(^{1329}\) and Section 35(b) makes such an award virtually mandatory in cases of intentional counterfeiting.\(^{1330}\) Likewise, the Federal Rules of Appellate Procedure authorize awards of fees to reimburse the

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1325. See, e.g., Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072, 1088 (C.D. Cal. 2006) (“As the prevailing party, [the plaintiff] is . . . entitled to . . . costs.”).
1326. See Republic Tobacco Co. v. N. Atl. Trading Co., 481 F.3d 442 (7th Cir. 2007).
1327. Id. at 450.
1330. Id. § 1117(b). In cases presenting intentional counterfeiting, the court “shall” make an award of attorneys’ fees to the plaintiff “unless the court finds extenuating circumstances.” Id.
expenses of frivolous appeals.\textsuperscript{1331} As in any federal court action, a court hearing a trademark case may also award fees if a litigant has “unreasonably and vexatiously” multiplied the proceedings in a case.\textsuperscript{1332} Similarly, courts may impose awards of fees in the form of sanctions under Rule 11 of the Federal Rules of Civil Procedure.\textsuperscript{1333} Finally, federal courts have the inherent power to award fees if bad-faith litigation practices by the parties justify them\textsuperscript{1334} or as a condition to the lifting of a default judgment.\textsuperscript{1335} Assuming that they prevail in the underlying litigation, plaintiffs and defendants alike are potentially eligible to invoke these mechanisms.

\textbf{a. Awards in Favor of Prevailing Plaintiffs}

The Third Circuit offered a characteristic description of the standards governing fee awards to prevailing plaintiffs under Section 35’s “exceptional case” standard:

Determining whether a case is exceptional is a two-step process. First, the District Court must decide whether the defendant engaged in any culpable conduct. We have listed bad faith, fraud, malice, and knowing infringement as non-exclusive examples of the sort of culpable conduct that could support a fee award. Moreover, the culpable conduct may relate not only to the circumstances of the Lanham Act violation, but also to the way the losing party handled himself during the litigation.

Second, if the District Court finds culpable conduct, it must decide whether the circumstances are “exceptional” enough to warrant a fee award. In sum, a District Court may not award fees without a finding of culpable conduct, but it may decline to award them despite a finding of culpable conduct based on the totality of the circumstances.\textsuperscript{1336}

This rather expansive catalogue of grounds for an award of fees notwithstanding, the court reached the most common result in applications of Section 35, namely, that the prevailing plaintiff was not entitled to reimbursement of its legal costs. As described by the court, the lead defendant’s conduct seemed to fall within

\begin{itemize}
  \item \textsuperscript{1331} Fed. R. App. P. 38.
  \item \textsuperscript{1332} 28 U.S.C. § 1927 (2000).
  \item \textsuperscript{1333} Fed. R. Civ. P. 11.
  \item \textsuperscript{1334} See, e.g., San Juan Prods., Inc. v. San Juan Pools, Inc., 849 F.2d 468 (10th Cir. 1988).
  \item \textsuperscript{1336} Green v. Fornario, 486 F.3d 100, 103-04 (3d Cir. 2007) (citations omitted).
\end{itemize}
Section 35’s ambit. A former bartender at a Philadelphia-area sports bar, he adopted the TYLER GREEN SPORTS mark, first for a sports handicapping business and then for a sports-oriented entertainment promotion company. Despite his apparent immersion in the sports world, the lead defendant claimed that he had adopted his mark in complete ignorance of the plaintiff, local baseball hero Tyler Green, who had played briefly for the Philadelphia Phillies, even making it to the 1995 All-Star Game. Affirming the district court’s refusal to award fees, the Third Circuit observed that the lead defendant “seems to be the sort of person who would know of a pitcher on the Phillies’ team.”

Nevertheless, the appellate court also held that “finding that he knew of Green is not compelled by this record.” It also rejected the plaintiff’s reliance on the lead defendant’s refusal to comply with the plaintiff’s cease and desist letters on the ground that “putative defendants have every right to decline pre-litigation requests without adverse consequences, but they must do so in good faith—that is, believing that they have a colorable claim of right to engage in the challenged behavior.” As to each issue, “[t]he District Court found that the evidence did not support a finding of bad faith, and that determination also is not clearly erroneous.”

One district court was sufficiently motivated to deny a fee request that it did so before even deciding the case on the merits. The request came from the counterclaim plaintiff, which objected to comparative advertising using its mark on the counterclaim defendant’s website. In denying the counterclaim plaintiff’s motion for summary judgment, the court also held that:

\[E\]ven if [the counterclaim plaintiff] ultimately prevails on the Lanham Act claims in this case (i.e., defeats [the counterclaim defendant’s] claims and/or prevails on its own), nothing in the facts presented to the Court would warrant a finding that [the counterclaim defendant’s] conduct rose to the level of bad faith, fraud, malice, knowing infringement or the like. First, the case presents novel issues of Internet advertising rather than flagrant violations of well-settled trademark law. Indeed, the law in this area has continued to evolve from the day this case was filed. Second, there is no dispute that [the counterclaim defendant] consulted counsel with regard to its

1337. Id.
1338. Id.
1339. Id.
1340. Id. at 107.
use of [the counterclaim plaintiff's] marks and included trademark disclaimers on its website, which would tend to negate a finding [of] intentional infringement or bad faith. 1342

Of course, not all prevailing plaintiffs seeking reimbursement of their fees went home empty handed, 1343 with a Sixth Circuit opinion in particular demonstrating the high burden faced by an appellant seeking to challenge a district court's grant of fee petition. 1344 The defendant had registered an Internet domain corresponding to the plaintiff's trademark and had sold infringing merchandise, advertising space, and email accounts at a website accessible through the domain. Seeking to establish that the district court had abused its discretion in awarding fees, the defendant pointed to the plaintiff's failure to prove actual damages, which he argued prevented the plaintiff from being considered a prevailing party, and the fact that he had changed the site's content in response to the plaintiff's demand letters. Affirming, the appellate court noted that "[the defendant] cites no cases for his proposition that a plaintiff awarded injunctive relief [only] in a trademark case is not a prevailing party" and that the defendant's ex post changes to the site did not cure its prior infringement and cybersquatting. 1345 The Sixth Circuit also found support for the district court's award in the defendant's failed attempts to secure permission for its activities from the plaintiff, from which it concluded that "[h]e knew that he needed permission to use such marks... ." 1346 Accordingly, it held that the district court had not abused its discretion in awarding fees. 1347 Similarly, one district court hearing an infringement action was faced with a defendant who had been terminated as a licensee of the plaintiff but had undertaken following his termination to sell goods bearing unauthorized imitations of the plaintiff's marks. 1348 Going beyond this misconduct, the defendant placed tags on his merchandise that falsely claimed the goods were "Officially Licensed." 1349 On the

1342. Id.
1344. See Audi AG v. D'Amato, 469 F.3d 534 (6th Cir. 2006).
1345. Id. at 550.
1346. Id. at 551.
1347. See id.
1349. See id. at 522.
plaintiff's motion for summary judgment, the court found the matter to be an exceptional case as a matter of law: “In the present case, [the defendant’s] conduct was intentional, deliberate, and willful. Obviously, [the defendant] was aware that his license to sell official . . . products [licensed by the plaintiff had been] revoked. . . .”\textsuperscript{1350}

Another plaintiff succeeded in securing an award of fees against an Internet domain, albeit in an opinion occasioned by the failure of the domain and its owner to contest the issue.\textsuperscript{1351} Entering a default judgment on the plaintiff’s claims under the ACPA, the court noted that Section 35 “expressly encompasses actions under the ACPA . . . in providing relief, and makes no distinction between those cases brought \textit{in personam} and those falling within the ACPA’s allowance for \textit{in rem} jurisdiction where \textit{in personam} jurisdiction cannot be established.”\textsuperscript{1352} It then found further support for its conclusion in Section 43(d)(3)’s recitation that “the \textit{in rem} action established under [the ACPA] and any remedy available under . . . [it], shall be \textit{in addition to any other civil action or remedy otherwise applicable}.”\textsuperscript{1353} As the court summarized the significance of this statutory framework, “a plaintiff that receives a default judgment in a case where \textit{in rem} jurisdiction is granted only under the ACPA may also recover the civil remedies provided under [Section 35] of the Lanham Act, including . . . the possibility of attorneys fees.”\textsuperscript{1354}

That possibility became a reality upon the court’s review of the showing adduced by the plaintiff in support of its fee petition. Observing that “[w]illful defiance of the judicial process lends sufficient grounds for finding that an exceptional case . . . exists,” the court first held that the failure of the domain (and, presumably, its owner) to participate in the action weighed in favor of a fee award.\textsuperscript{1355} The court then concluded that “the systematic practice of Defendant [of cybersquatting] in past cases further supports a finding of bad faith and deliberate, willful infringement on the part of Defendant in the present case.”\textsuperscript{1356} Finally, the court invoked the well-pleaded allegations of an ACPA violation in the plaintiff’s complaint, of which it noted that “while showing bad faith is required by the statute to find a violation of the claim, once shown this fact may also be used to show the

\textsuperscript{1350} Id. at 526.
\textsuperscript{1351} See Agri-Supply Co. v. agrisupply.com, 457 F. Supp. 2d 660 (E.D. Va. 2006).
\textsuperscript{1352} Id. at 665.
\textsuperscript{1353} Id. (quoting 15 U.S.C. § 1117(d)(3) (2000) (emphasis added)).
\textsuperscript{1354} Id.
\textsuperscript{1355} Id. at 667.
\textsuperscript{1356} Id. at 665-66.
existence of an exceptional case in support of an award of attorneys fees.”  

Not all successful motions for awards of fees came in infringement actions. In a false advertising case in which the defendant used an online question to mislead college applicants into authorizing the sale of their personal data to purveyors of student loans, the court did not skip a beat in granting the plaintiff’s fee petition. It held that “[the defendant] engaged in willfully deceptive misconduct that resulted in damages to [the plaintiff] and thereby established the exceptional circumstances that justify an award of reasonable attorneys’ fees to [the plaintiff].”

A final opinion of note came in a case in which the court acknowledged its intent to award at least some fees but at the same time warned the prevailing plaintiff not to press its luck. Alerted by the plaintiff that the requested fees might approach $1.5 million, the court observed that:

During this Court’s twenty years on the federal bench, it has observed a few common themes in the intellectual property law cases that have come before it: the attorneys on both sides frequently fail to cooperate with each one another, discovery rarely proceeds smoothly, too many discovery disputes are resolved through motions instead of through direct communication between the attorneys, and (perhaps because of the preceding troubles) costs and attorneys fees reach epic proportions.

After announcing that it would not entertain any requests for fees incurred in discovery disputes, the court additionally cautioned the plaintiff “to take these concerns into account in setting forth its request for attorney fees.”

b. Awards in Favor of Prevailing Defendants

As always, awards of fees to prevailing defendants were the exception, rather than the rule. The Tenth Circuit offered the

1357. Id.
1359. Id. at 1068.
1361. Id. at 741.
1362. Id. at 742.
following summary of the doctrine governing fee awards under these circumstances:

Although no one factor is dispositive, a case may be deemed exceptional because of “(1) its lack of any foundation, (2) the plaintiff's bad faith in bringing the suit, (3) the unusually vexatious and oppressive manner in which it is prosecuted, or (4) perhaps for other reasons as well.” In more general terms, we look to both the objective strength of a plaintiff’s Lanham Act claim and the plaintiff’s subjective motivations.1364

This restatement occurred in the context of an action against the defendant by one of its former employees, who objected to the defendant’s distribution of promotional materials that inaccurately continued to identify the plaintiff as an employee. A jury ruled in the defendant’s favor, leading the defendant to seek reimbursement of its fees on three theories: (1) the plaintiff had failed to identify the particular subsection of Section 43(a) upon which he based his claims; (2) the plaintiff had pursued an ambitious theory of actual damages; and (3) the plaintiff’s vexatious litigation tactics had inflated the defendant’s expenses. Holding that the district court had not abused its discretion in declining to grant the defendant’s fee petition, the appellate court noted with respect to the first of these grounds that the factual basis of the plaintiff’s claims had been adequately identified throughout the litigation. As to the second, cross-examination at trial had elicited limiting concessions from the plaintiff on the quantum of his alleged damages. Finally, the defendant’s allegation of vexatious tactics was not borne out by the conclusory claim in a footnote of its appellate brief that the plaintiff had delayed dropping one of his claims until the eve of trial.1365

Awards of fees to prevailing defendants under state law were infrequent over the past year. In one such case producing such a result the plaintiff challenged the use of her photograph on the cover of a book sold on Amazon.com by alleging that Amazon.com had engaged in civil theft in violation of a Florida statute.1367 Apparently viewing the plaintiff’s attempt to expand a run-of-the-mill right of publicity action beyond reasonable bounds, the Eleventh Circuit affirmed an imposition of fees on the plaintiff with the observation that “the district court did not commit clear

1364. King v. PA Consulting Group, 485 F.3d 577, 592 (10th Cir. 2007) (quoting Nat’l Ass’n of Prof’l Baseball Leagues, Inc. v. Very Minor Leagues, Inc., 223 F.3d 1143, 1147 (10th Cir. 2000)) (citations omitted).
1365. See id. at 592-93.
1366. See Almeida v. Amazon.com, Inc., 456 F.3d 1316 (11th Cir. 2006).
error in finding that [the plaintiff's] civil theft claim lacked substantial factual or legal support.”

**c. Calculation of Attorneys’ Fees**

Affirming a calculation of fees in the context of an award of sanctions, the Seventh Circuit rejected the theory that a petitioner for fees must prove that the rates charged by its counsel fall within the going market rate. Instead, the court held that “[i]t is well-established that ‘[t]he attorney’s actual billing rate for comparable work is presumptively appropriate to use as the market rate.’” Reference to prevailing local practice was appropriate only if the court was unable to determine the rate charged by the lawyer in question, either because he or she maintained a contingent fee or public interest practice. Neither circumstance was present in the case before the court, which meant that the party opposing the fee request bore the burden of demonstrating the unreasonableness of the rates in question; having failed to do, it was not in position to complain about them.

In another opinion, the same court confirmed that a contingency fee agreement between the plaintiff and its counsel did not necessarily serve as a cap on fees awarded to the plaintiff. Instead, the appellate court held, the district court properly had adopted a traditional lodestar methodology, pursuant to which the quantum of awarded fees was based on the billable rates charged by the plaintiff’s attorneys and the work they had performed. Although such an approach resulted in a greater award than might have been the case under the contingency fee agreement,

were it not for the expectation of an additional, court-ordered award if the suit was successful but yielded little in the way of damages, the plaintiff might not have been able to interest a lawyer in taking the case in the first place. So the percentage specified in the contract should not cap such awards.

The court was equally unsympathetic to the defendant’s complaints about the quantum of fees awarded by the district

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1368. *Almeida*, 456 F.3d at 1328.

1369. *See* Muzikowski *v.* Paramount Pictures Corp., 477 F.3d 899 (7th Cir. 2007).

1370. *Id.* at 909 (quoting People Who Care v. Rockford Bd. of Educ., 90 F.3d 1307, 1310 (7th Cir. 1996)) (second brackets in original).

1371. *See id.* at 909-10.


1373. *Id.* at 921 (quoting Assessment Techs. of Wi., LLC v. WIREdata, Inc., 361 F.3d 434, 439 (7th Cir. 2004)) (emphasis in original omitted).
court, noting that the defendant’s aggressive litigation tactics had unnecessarily prolonged the litigation.1374

F. Procedural Matters

1. Declaratory Judgment Actions

Both Article III of the U.S. Constitution and the federal Declaratory Judgment Act require federal courts acting under their authority to find the existence of an “actual controversy” before proceeding.1375 Few courts hearing unfair competition cases over the past year got their hands dirty addressing the issue of what satisfies this standard, but one that did rendered a significant and potentially far-reaching opinion.

Objecting to the plaintiff’s application to register a mark it viewed as confusingly similar to its own, the defendant in the action had filed a notice of opposition against the application before the Trademark Trial and Appeal Board.1376 In response, the plaintiff filed suit in its local federal district court seeking a declaratory judgment of noninfringement and nondilution. The resulting motion by the defendant to dismiss the federal court action for want of an actual controversy proved unavailing. Reviewing the notice of opposition, the court found that that document “invoked the language of trademark infringement and dilution, which could give the plaintiff a reasonable apprehension that the defendant would sue the plaintiff if the plaintiff continues to use its . . . mark.”1377 What’s more, “[t]he fact that Defendant has not yet acted upon its veiled threat does not erase the threat’s effect.”1378 Accordingly—and failing to explain how a prior user of a similar mark might satisfy the pleading requirements of Section 2(d) and Section 13 without using “the language of trademark infringement and dilution”—the court concluded that a sufficient case and controversy existed to allow it to exercise jurisdiction over the matter.

2. Standing

a. Cases Finding Standing

Unfair competition plaintiffs under United States law must demonstrate both statutory and constitutional standing to proceed

1374. See id. at 920.
1377. Id. at 1181.
1378. Id.
but these requirements were given rather cursory attention by some courts over the past year.\textsuperscript{1379} For example, one court rejected a motion to dismiss on standing grounds that were based on the theory that the plaintiff had failed adequately to allege protectable rights in its marks.\textsuperscript{1380} The gravamen of the defendant’s motion was that the marks had been abandoned by a predecessor of the plaintiff. With the court concluding that the complaint as pleaded precluded a finding of abandonment, the defendant’s challenge to the plaintiff’s standing similarly fell short.\textsuperscript{1381}

An abbreviated treatment of standing issues was also featured in a case in which the defendants disputed whether the plaintiffs really were the owners of the rights they were asserting.\textsuperscript{1382} The trademark and trade dress claimed by the plaintiffs related to a book written and illustrated by the plaintiffs but distributed through a publisher. Based on the historical relations between the plaintiffs and the publisher, the defendants argued that the publisher was the actual owner of the rights in question. Denying the defendants’ motion for summary judgment, the court disagreed, holding instead that “[p]laintiffs have standing to sue for trade dress infringement regardless of whether they own or owned the [trademark and] trade dress rights.”\textsuperscript{1383} Hurtling past the issue of why the plaintiffs would be entitled to royalties or anything else in the absence of protectable rights, the court explained further that “[p]laintiffs’ commercial interest in the misused mark are the actual damages and profits for which [the defendants are] potentially liable based on [their] violations of Plaintiffs’ trademark rights.”\textsuperscript{1384}

\textbf{b. Cases Declining to Find Standing}

By far and away the most interesting unfair competition opinion to address standing issues over the past year came from the Eleventh Circuit in an appeal by a group of plaintiffs seeking to prosecute a false advertising action.\textsuperscript{1385} The case had its origins

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\textsuperscript{1379} See, e.g., SCQuARE Int’l, Ltd. v. BBDO Atlanta, Inc., 455 F. Supp. 2d 1347, 1372 (N.D. Ga. 2006) (holding without extended analysis that counterclaim plaintiff could bring false advertising claim against counterclaim defendant despite absence of competition between parties).
\textsuperscript{1381} See id. at 756.
\textsuperscript{1383} Id. at 1123.
\textsuperscript{1384} Id.
\textsuperscript{1385} See Phoenix of Broward, Inc. v. McDonald’s Corp., 489 F.3d 1156 (11th Cir. 2007).
\end{flushright}
in the distribution by the McDonald's restaurant chain of promotional game pieces, each of which McDonald's advertised as presenting a fair and equal opportunity for consumers to win prizes. That opportunity, however, had been compromised by an employee of the company producing the pieces, which led a group of Burger King franchisees to sue McDonald's for false advertising. The district court hearing the action held that the plaintiffs lacked prudential standing to prosecute the action and therefore dismissed their suit for failure to state a claim.1386

On appeal, the Eleventh Circuit affirmed. Like the parties themselves, the appellate court agreed that the plaintiffs enjoyed constitutional standing to proceed. Nevertheless, it also agreed with the district court that prudential standing considerations applied with full force to actions under the Lanham Act:

We . . . hold that to determine whether a party has prudential standing to bring a false advertising claim under the § 43(a) of the Lanham Act, a court should consider and weigh the following factors:

(1) The nature of the plaintiff’s alleged injury: Is the injury of a type that Congress sought 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.1387

The appellate court then held that the plaintiffs’ claims of standing could not withstand scrutiny under this test. It concluded that the first factor weighed in the plaintiffs’ favor because their complaint alleged that McDonald’s had continued to advertise the game pieces even after it became aware their integrity had been compromised and because the plaintiffs had lost sales and incurred counter-promotion costs as a result.1388 As to the second, however, the court held the plaintiffs’ theory that consumers misled by the advertising necessarily would have eaten at Burger King rather than McDonald’s to be too speculative to weigh in the plaintiffs’

1387. Id. at 1163-64 (quoting Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc., 165 F.3d 221 (3d Cir. 1998)) (brackets in original).
1388. See id. at 1168-69.
The court then held that the third factor favored standing because the plaintiffs alleged that the false advertising had lured consumers away from the plaintiffs, which resulted in the plaintiffs losing sales and market share. Applying the fourth factor, the court held that the plaintiffs had advanced nothing more than a speculative theory of damages that weighed against their claims of standing. Finally, the court concluded of the fifth factor that “[i]f we were to hold that [the plaintiffs have] prudential standing to bring the instant claim, then every fast food competitor of McDonald’s asserting that its sales had fallen by any amount during the relevant time period would also have prudential standing to bring such a claim”; what’s more, “apportioning damages among these competitors would be [a] highly complex endeavor.” On balance, therefore, “we hold that [the plaintiffs do] not have prudential standing to bring a false advertising claim under the Lanham Act against McDonald’s.”

Outside of the false advertising context, Section 32 of the Act expressly contemplates that only federal registrants may avail themselves of the cause of action created by that section. Consistent with the literal terms of the statute, courts traditionally have declined to allow non-registrants, such as licensees, to invoke it, and that rule was applied in at least one opinion over the past year to dismiss a Section 32 cause of action brought by a non-registrant. Nevertheless, another opinion framed the relevant inquiry as to whether the license in question was an exclusive one. Finding that the license was non-exclusive, the court held as a matter of law that the plaintiff lacked standing to pursue an infringement claim to protect the underlying mark.

1389. See id. at 1169-70.
1390. Id. at 1170-71.
1391. See id. at 1171-72.
1392. Id. at 1172.
1393. Id.
1394. Id. at 1173.
1396. See, e.g., STX, Inc. v. Bauer USA, Inc., 43 U.S.P.Q.2d 1492, 1496 (N.D. Cal. 1997) (“The Court holds that plaintiff, as the exclusive licensee but not the owner of the marks at issue in this case, lacks standing to pursue a claim under [section 43(c)].”).
1397. See Globalaw Ltd. v. Carmon & Carmon Law Office, 452 F. Supp. 2d 1, 25 (D.D.C. 2006) (“Absent a complete and successful registration, [the plaintiff] is not a ‘registrant’ under the parameters of Section 32(1) and cannot bring a claim pursuant to that section at this time.”).
1399. See id. at 974.
Another would-be plaintiff had its infringement, unfair competition, and dilution claims thrown out altogether for failure to establish its standing. The lead plaintiff claimed to be the owner of the mark it sought to protect through an assignment from another plaintiff in the case. Reviewing that transaction, however, the court concluded that it had been an invalid assignment in gross, leaving ownership of the mark in the hands of the other plaintiff. The court therefore dismissed the lead plaintiff’s claims on the defendants’ motion for summary judgment: “Because the assignment was invalid, [the lead plaintiff] has not suffered an injury in fact and does not have standing to maintain this action.”

3. Jurisdictional Issues

a. Personal Jurisdiction

Under United States law, the inquiry into whether a court properly may exercise personal jurisdiction over a defendant historically has been a two-part one:

The general rule is that personal jurisdiction over a defendant is proper if it is permitted by a [state] long-arm statute and if the exercise of that jurisdiction does not violate federal due process. . . .

For due process to be satisfied, a defendant, if not present in the forum, must have “minimum contacts” with the forum state such that the assertion of jurisdiction “does not offend traditional notions of fair play and substantial justice.”

More recently, however, plaintiffs proceeding against non-U.S. domiciliaries under the Lanham Act also have increasingly invoked Rule 4(k)(2) of the Federal Rules of Civil Procedure, which provides:

If the exercise of personal jurisdiction is consistent with the Constitution and laws of the United States, serving a summons or filing a waiver of service is also effective, with respect to claims arising under federal law, to establish personal jurisdiction over the person of any defendant who is not subject to the jurisdiction of the courts of general jurisdiction of any state.

1401. Id. at 1149.
1402. Pebble Beach Co. v. Caddy, 453 F.3d 1151, 1154-55 (9th Cir. 2006) (quoting Int'l Shoe Co. v. Washington, 326 U.S. 310, 315 (1945)).
As always, applications of these standards over the past year led to varying results.

(1) Opinions Exercising Personal Jurisdiction

“On a Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction, the plaintiff bears the burden of showing that the court has jurisdiction over the defendant.”1404 One plaintiff able to make the grade in an application of this standard was a New York-based company seeking to haul a former Florida-based licensee into a New York district court.1405 Although the underlying license agreement had not been executed in New York, a number of other factors combined to render the defendants’ motion to dismiss without merit. These included: (1) the defendants’ maintenance of a four-year relationship with the plaintiff; (2) the inclusion in the license of a choice-of-law provision specifying New York law; and (3) the requirement in the license that the defendants send notices and payments to the plaintiff in New York. The defendants’ motion to dismiss therefore fell short because “there is an ‘articulable nexus’ between the trademark and breach of contract claims asserted here and the business transacted by defendants in New York”1406 and because the defendants’ ties to the state satisfied constitutional standards.1407

Another finding of personal jurisdiction was even more dependent on the contractual relationship between the parties.1408 The contract in question contained a forum selection clause, the text of which appeared in bold and capital letters. Not only did the clause specify a forum for the resolution of any disputes between the parties, it recited that the parties waived any objection to an exercise of personal jurisdiction by the courts of that forum. The court needed little more to reject the defendants’ motion to dismiss on jurisdictional grounds. Citing M/S Bremen v. Zapata Off-Shore Co.,1409 it observed that “[t]he U.S. Supreme Court has stressed the importance of the enforcement of forum selection clauses as being necessary in light of present-day commercial realities. A forum selection clause should be enforced absent a strong showing that it should be set aside.”1410 With the defendants unable to demonstrate that they had been fraudulently induced into

1405. See id. at 355-56.
1406. Id. at 360.
1407. See id. at 361-62.
agreeing to the clause or that its enforcement would be unreasonable or unjust, the motion to dismiss was without merit.\footnote{1411}{See id. at 961.}

Other courts did not need prior contractual relationships between the parties to exercise personal jurisdiction over defendants, especially defendants using the Internet to inject themselves into the forum in question.\footnote{1412}{See, e.g., 3M Co. v. Icuiti Corp., 81 U.S.P.Q.2d 1761, 1762-63 (D. Minn. 2006) (exercising personal jurisdiction over defendant based on online sales to customers in forum).} For example, a pizza franchisor successfully haled into a Michigan federal district court a group of non-resident defendants who had sold unauthorized “pizza cards” over the Internet using the plaintiff’s marks.\footnote{1413}{Domino’s Pizza PMC v. Caribbean Rhino, Inc., 453 F. Supp. 2d 998 (E.D. Mich. 2006).}

Rejecting the defendants’ claims that they were not subject to an exercise of personal jurisdiction in that state, the court credited the plaintiff’s allegations that “more than 9,000 of the cards had been sold in Michigan with an estimated value of more than $25,000.”\footnote{1414}{Id. at 1003.} Not only had the defendants purposefully availed themselves of the privilege of doing business, the plaintiff’s cause of action arose from such substantial activities in the state that an exercise of jurisdiction was reasonable.\footnote{1415}{See id. at 1003-05.}

An online presence similarly assisted a Massachusetts-based plaintiff in convincing a federal court in its backyard to exercise personal jurisdiction over a Minnesota defendant.\footnote{1416}{See Gather, Inc. v. Gatheroo, LLC, 443 F. Supp. 2d 108 (D. Mass. 2006).} The defendant’s ties to Massachusetts included an interactive website that accepted memberships from Massachusetts residents and provided them with Massachusetts-specific information, as well as an announced intent to compete with the plaintiff. In declining to dismiss the action, the court first held an exercise of jurisdiction to be appropriate “[w]here, as here, the claimed harm arose out of the publication of a website in Massachusetts which allegedly caused harm to [the plaintiff] in Massachusetts. . . .”\footnote{1417}{Id. at 115.} The court next held that “[b]y accepting members from Massachusetts, communicating directly with Massachusetts users, providing information specifically about Massachusetts users to Massachusetts users, and soliciting advertisement revenue from its users, including those in Massachusetts, [the defendant] has ‘purposefully availed’ itself of doing business in Massachusetts.”\footnote{1418}{id. at 116.}

1411. See id. at 961.
1414. Id. at 1003.
1415. See id. at 1003-05.
1417. Id. at 115.
1418. Id. at 116.
Finally, the court held that it was reasonable for the defendant to answer to a suit in Massachusetts, despite any inconvenience that doing so might pose to the defendant.1419

Of course, not all courts exercising personal jurisdiction relied heavily on the online presence of defendants to do so. For example, one opinion concluded that the plaintiff's Internet-based arguments were "frail," but nevertheless held it appropriate to hale the defendants into the forum jurisdiction to answer for their alleged false advertising.1420 Considerations entering into this outcome included the "not great" inconvenience that would accompany the defendants' participation in the case in that forum, the forum's interest in redressing injuries suffered by its residents, and the availability of third-party witnesses.1421 They also included a nexus between the forum and other causes of action asserted by the plaintiff.1422 Accordingly, the defendants' motion to dismiss failed to carry the day.

(2) Opinions Declining to Exercise Personal Jurisdiction

A number of opinions over the past year rejected the plaintiffs' attempts to rely upon the accessibility of defendants' websites in the jurisdictions chosen by the plaintiffs,1423 with the leading opinion on the subject coming from the Ninth Circuit.1424 The plaintiff was the owner of the PEBBLE BEACH mark, which it used in connection with a golf resort in California, while the defendant operated a three-room bed-and-breakfast, restaurant, and bar located in southern England, also using the PEBBLE BEACH mark. To promote his business, the defendant operated an Internet website accessible in the United States but one that was largely passive in nature: Although providing information on his establishment and an one-line inquiry form, the site did not have a reservation system, nor did it allow guests to book rooms or pay for services online.1425

The California district court in which the plaintiff filed suit declined to exercise personal jurisdiction over the defendant, and the Ninth Circuit affirmed. The appellate court noted that whether

1419. See id. at 119.
1421. See id. at 111.
1422. See id. at 113.
1424. See Pebble Beach Co. v. Caddy, 453 F.3d 1151 (9th Cir. 2006).
1425. See id. at 1153-54.
defendants had sufficient contacts with forum states to satisfy constitutional due process standards depended on whether: “(1) the defendant has performed some act or consummated some transaction within the forum or otherwise purposefully availed himself of the privileges of conducting activities in the forum, (2) the claim arises out of or results from the defendant’s forum-related activities, and (3) the exercise of jurisdiction is reasonable.”

Addressing the first of these prongs, the court held that “[the plaintiff] fails to identify any conduct by [the defendant] that took place in California or in the United States that adequately supports the availment concept.” The court also rejected the claim that jurisdiction was proper because the plaintiff had suffered an injury in the forum state as a result of the plaintiff’s alleged infringement. As it concluded, “[t]he only acts identified by [the plaintiff] as being directed at California are the [defendant’s] website and the use of the name ‘Pebble Beach’ in the domain name. These acts were not aimed at California and, regardless of foreseeable effect, are insufficient to establish jurisdiction.”

The court then turned to the plaintiff’s attempt to establish personal jurisdiction over the defendant under Rule 4(k)(2) of the Federal Rules of Civil Procedure. Of this rule, the court noted that:

The exercise of Rule(k)(2) as a federal long-arm statute requires the plaintiff to prove three factors. First, the claim against the defendant must arise under federal law. Second, the defendant must not be subject to the personal jurisdiction of any state court of general jurisdiction. Third, the federal court’s exercise of personal jurisdiction must comport with due process.

The Ninth Circuit acknowledged that the plaintiff’s claims arose under federal law and that, as it previously had concluded, the defendant was not otherwise subject to an exercise of personal jurisdiction by any state court of general jurisdiction. Nevertheless, it held that the plaintiff’s claims under Rule 4(k)(2) failed because the plaintiff’s bare allegations of injury in the United States were insufficient to satisfy constitutional due process standards.

1426. Id. at 1155 (quoting Bancroft & Masters, Inc. v. Augusta Nat’l Inc., 223 F.3d 1082, 1086 (9th Cir. 2000)).
1427. Id.
1428. Id. at 1156.
1429. Id. at 1159.
1430. Id.
Finally, and rather unusually, the court affirmed the district court’s refusal to allow the plaintiff to engage in jurisdictional discovery before dismissing the action. It explained that “[a]s a matter of law, we have concluded that a passive website and domain name are an insufficient basis for asserting personal jurisdiction. [The defendant’s] website is passive, and, therefore, additional discovery on this issue would not be helpful.”\textsuperscript{1431} Accordingly, the district court’s opinion withstood scrutiny in all respects.\textsuperscript{1432}

Reliance on a defendant’s modest Internet website proved to be equally misplaced in an action in which the plaintiff sought to hale a Nevada-based defendant into court in the plaintiff’s home forum of Iowa.\textsuperscript{1433} The defendant operated a website that allowed automobile dealers to download loan management software. Although the dealers were provided with an Iowa “drop-down” option when identifying their states during the registration process for the software, the software, the defendant established to the court’s satisfaction that it did not have any actual customers in that state. What’s more, the defendant was not even qualified to do business in Iowa. Against this backdrop, the court was unconvinced that the defendant’s ties to other companies that did do business in Iowa, an abandoned plan to expand into the state, or the defendant’s allegedly national advertising could salvage the plaintiff’s suit; rather, “[t]he alleged contacts with Iowa are too uncertain and attenuated to result in the exercise of jurisdiction. . . .”\textsuperscript{1434}

A similar result held in a case in which the adequacy of a Texas defendant’s ties to the state of New York was evaluated in part through the court’s review of his website.\textsuperscript{1435} The defendant was a disgruntled former franchisee of the plaintiff and expressed his dissatisfaction by setting up a website aimed at alerting current franchisees of the plaintiff’s alleged unscrupulous practices. Granting the defendant’s motion to dismiss, the court rejected the plaintiff’s claim that the defendant had engaged in business in the state of New York:

There is no allegation or showing that the interaction between the website and New York members or viewers had any commercial content or purpose. The website offered nothing for sale. It did not directly generate income in any other

\textsuperscript{1431}.  Id. at 1160.
\textsuperscript{1432}.  See id.
\textsuperscript{1434}.  Id. at 1053.
manner. Nor is there any allegation of a business or commercial benefit to defendant from New York in connection with his postings.

. . . .

Nor is there any allegation or showing that the website specifically targeted New York viewers. Rather, it was available nationally, and there is nothing to suggest that defendant somehow purposefully directed the website toward New York State in particular.1436

The court also accorded little weight to a forum selection clause in the franchise agreement, concluding that the clause applied only to a non-compete provision, and, as in the case before it, to post-termination allegations of trademark infringement and unfair competition.1437

Of course, not all opinions declining to exercise personal jurisdiction over defendants focused on the extent to which the defendants had Internet websites. For example, one group of Connecticut-based defendants wound up in a North Carolina federal district court after sending a demand letter to competitors operating in that forum.1438 Granting the defendants’ motion to dismiss, the court declined to accord the letters any significant weight on the ground that:

[T]hese sorts of letters, which are routine in patent and trademark cases, are not enough by themselves to allow for jurisdiction. This is because basic fairness requires that a party be able to inform another party of an alleged dispute without subjecting itself to jurisdiction in a far away forum. To hold otherwise would leave a party with the unpleasant task of choosing between ignoring what it believes are violations of its patent or trademark, filing suit without attempting to work the matter out, or trying to work the matter out and thereby subjecting itself to jurisdiction in another state. . . . [T]he Court does not consider the letters to be the type of minimum contacts that can create jurisdiction over defendants.1439

The court was equally unreceptive to another key element of the plaintiffs’ case for an exercise of personal jurisdiction, which was that the lead defendant had once been employed by the plaintiffs. The court noted that the employment relationship had been created by the acquisition of that defendant’s then-employer,

1436. *Id.* at 529-30 (citations omitted).
1437. *See id.* at 532-33.
1439. *Id.* at 762 (citations omitted).
holding that “[p]laintiffs cite no case law to support the proposition that, when an employer is bought by an out-of-state corporation, employees must either quit their jobs or be subjected to jurisdiction in the home state of the purchasing corporation. . . .”1440 With a variety of other bases for an exercise of jurisdiction such as an abandoned plan by the defendants to enter the forum jurisdiction failing to make the grade, the court dismissed the action.1441

b. Subject Matter Jurisdiction

A request for an award of attorneys’ fees in an infringement and dilution action led to one of only two significant decisions on the issue of subject matter jurisdiction over the past year.1442 The plaintiff filed its complaint in Texas state court, alleging only a series of state law causes of action. The complaint’s prayer for relief included a request for an award of its fees “as allowed by law,” however, and this improbably led the district court to which the defendant removed the case to conclude that it had subject matter jurisdiction over the matter. Granting the plaintiff’s petition for a writ of mandamus, the Fifth Circuit disagreed. According to the appellate court, the plaintiff’s failure to identify a state law basis for the requested relief did not mean that the plaintiff was necessarily proceeding under the Lanham Act; indeed, the prayer for relief also failed to refer to the Lanham Act. Moreover, although fees under Section 35 of the Act are available only in “exceptional cases,” these words also did not appear in the complaint. Under these circumstances, the court held that the district court had improperly refused to grant the plaintiff’s motion to remand the action to state court: “As any doubt about the propriety of removal must be resolved in favor of remand, we cannot say that [the plaintiff’s] request for ‘attorneys’ fees as allowed by law’ is authorized only by federal law. To decide otherwise would be the ultimate ‘gotcha.’”1443 What’s more, “even if we were to determine that [the plaintiff] pleaded relief that is available only under federal law, we would hold that such a boiler-plate request for attorneys’ fees ‘as allowed by law’ is insufficient to confer subject-matter jurisdiction on the federal courts.”1444

In the second decision of note over the past year, a defendant believing that the plaintiff’s marks had been abandoned moved to

1440. Id. at 763.
1441. See id. at 762-65.
1442. See In re Hot-Hed, Inc., 477 F.3d 320 (5th Cir. 2007).
1443. Id. at 324.
1444. Id.
dismiss the infringement claims against it under Rule 12(b)(1) for want of federal subject matter jurisdiction. Declining to grant the motion, the court held that the defendant’s objections to the complaint were more properly characterized as a failure to state a claim. The court noted that both 28 U.S.C. §§ 1331 and 1338(a) provided jurisdictional bases for federal courts to hear trademark cases and that “Congress did not specifically create a statutory requirement that Plaintiff have enforceable rights in a mark in order for it to bring suit under the Lanham Act.” Consequently, even if the plaintiff’s claims to own protectable rights were to fail on the merits, that failure would not divest the federal courts of subject matter jurisdiction.

c. Appellate Jurisdiction

The only significant reported opinion over the past year to address issues of appellate jurisdiction in an unfair competition action came from the Tenth Circuit. The case came to that court on appeal from the issuance of a preliminary injunction, which in turn was based on a permanent injunction entered against the defendants at an earlier stage of the parties’ dispute. Although acknowledging that it would ordinarily enjoy jurisdiction over an interlocutory appeal, the appellate court concluded that its analysis could not stop there. Rather, it held, “[b]ecause the District Court’s order here was based solely on its interpretation of the [earlier] permanent injunction, the proper question here is whether the court’s order actually modified the existing injunction or instead . . . merely clarified or interpreted the prior injunction.” Comparing the terms of the earlier injunction to those of the more recent one, the court concluded that “the practical effect of the District Court’s order in this case was nothing more than an interpretation of the existing . . . injunction against [the lead defendant] and an explanation of its application to [his wife]. . . .” Because “[t]he District Court did not therefore issue an ‘injunction’ at all, . . . this action is not appealable under [28 U.S.C.] § 1292(a)(1)” as an interlocutory order.

1446. Id. at 754.
1447. See Pimentel & Sons Guitar Makers, Inc. v. Pimentel, 477 F.3d 1151 (10th Cir. 2007).
1448. See id. at 1153 (citing 28 U.S.C.A § 1292(a)(1) (West Supp. 2007)).
1449. Id. at 1154.
1450. Id.
1451. Id. at 1155.
4. Venue

a. Cases Finding Venue Appropriate

Venue challenges arose infrequently over the past year and were generally unsuccessful when they did, whether they sought outright dismissal, or, alternatively, a transfer to a more convenient forum. One example of this pattern came in an action brought in the Eastern District of New York against a Florida-based corporation and its principal. Responding to the complaint, the defendants sought to have the case dismissed for improper venue. Rejecting this theory, the court noted that the case had its origins in a license agreement between the parties that the defendants allegedly had breached by failing to cease use of the licensed mark and trade dress following their termination as licensees. Thus, venue was proper in the plaintiff’s home forum because “the trademark claims asserted here bear a close nexus to defendants’ activities in forming and operating under the Agreement in New York.”

Another court rejected a defendant’s attempt to transfer venue on the theory that his home district would be a more convenient forum in which to have the plaintiff’s infringement claims heard. The basis for the defendant’s transfer motion was 28 U.S.C. § 1404(a), which provides that “[f]or the convenience of parties and witnesses, [and] in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.” Although acknowledging that venue otherwise would have been proper in the proposed transferee forum, the court held that a transfer would otherwise be

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1453. See, e.g., Panterra Engineered Plastics, Inc. v. Transp. Sys. Solutions, LLC, 455 F. Supp. 2d 104, 114-15 (D. Conn. 2006) (requiring defendants to demonstrate “that the balance of factors tips strongly in favor of transfer” in denying motion to transfer); Am. Eagle Outfitters, Inc. v. Tala Bros., 457 F. Supp. 2d 474, 477-79 (S.D.N.Y. 2006) (holding that defendant had failed to demonstrate that balance of conveniences favored transfer of action); Domino’s Pizza, 453 F. Supp. 2d at 1007-08 (E.D. Mich. 2006) (denying motion to transfer on ground that venue not appropriate for all defendants in proposed forum and because of plaintiff’s failure to demonstrate that transfer would promote the interests of justice and serve the parties’ and witnesses’ convenience); 3M Co. v. Lcuii Corp., 81 U.S.P.Q.2d 1761, 1764 (D. Minn. 2006) (finding that defendant had not satisfied the “high bar” applicable to motions to transfer).


1455. Id. at 365.


inappropriate under the relevant factors for consideration: (1) the plaintiff’s choice of forum; (2) the convenience of, and access to, witnesses; (3) the convenience of the parties; and (4) the interest of justice. The defendant’s showing under the factors was lacking. Not only was the plaintiff’s choice of forum entitled to “substantial weight,” most of the plaintiff’s witnesses were located there; in contrast, the defendant failed to identify with particularity any witnesses that he might call for trial in his home forum.1458 Similarly, the defendant failed to establish to the court’s satisfaction that having the case heard in the forum chosen by the plaintiff would be more inconvenient for him than would having it heard in the proposed transferee forum.1459 Finally, with respect to the interests of justice, the record was devoid of any evidence “that docket conditions are substantially different in the two districts at issue.”1460 Particularly as the court was familiar with the doctrine governing the state law causes of action asserted by the plaintiff, a transfer was held inappropriate.1461

Within the universe of defendants challenging venue, those who previously have signed contracts containing forum selection clauses are particularly disfavored. For example, one set of defendants in an unfair competition action were former dealers of water softeners manufactured by the plaintiff.1462 Part of the contract between the parties required any dispute between them to be heard in the state and federal courts of the plaintiff’s home county. When the plaintiff filed a federal suit in the district in which the county was located, the defendants moved unsuccessfully to have the action transferred to their own home turf and consolidated with a state court action they had filed against the plaintiff. Although the court acknowledged that the earlier forum selection clause was not dispositive, it nevertheless held that “[t]he presence of such a clause weighs heavily in a district court’s analysis under [28 U.S.C.] § 1404(a). The party opposing its enforcement bears a heavy burden in overcoming the weight accorded to the clause.”1463 With the remaining relevant considerations of record split evenly between the parties, a transfer was inappropriate.1464

1458. See JTH Tax, 482 F. Supp. 2d at 736-38.
1459. Id. at 738.
1460. Id. at 739.
1461. See id.
1463. Id. at 963.
1464. See id. at 963-64.
b. Cases Finding Venue Inappropriate

The most interesting opinion over the past year rejecting claims of proper venue came in a dispute between the owners of the United States broadcast rights for a Russian television program who filed suit in the Southern District of New York against a Russian producer of an unauthorized sequel of the program.1465 Not surprisingly, the defendant moved for the dismissal of the action on forum non conveniens grounds. Explaining that “[t]he doctrine of forum non conveniens allows a district court to dismiss a case where the preferred venue is a foreign tribunal,” the court held the disposition of the defendant’s motion to turn on three factors, namely: (1) the degree to which the plaintiff’s choice of forum is entitled to deference; (2) whether the alternative forum proposed by the defendants is adequate to adjudicate the parties’ dispute; (3) the balance between the private and public interests implicated in the choice of forum.1466

An application of this test led the court to transfer of the action. The court began its analysis by according reduced weight to the plaintiffs’ choice of forum because only of the three plaintiffs was located in the forum district and “because the presumption that a plaintiff’s choice of forum was made for the purposes of convenience will not apply to foreign plaintiffs.”1467 As to the second factor, the Russian judicial system was an adequate forum despite the plaintiffs’ attempts to raise the specter of corruption.1468 Finally, the court found that the balance of public and private factors weighed in favor of a transfer to Russia, especially in light of the presence in that country of witnesses and Russian-language documents and the fact that “plaintiffs’ claims are ill-suited to determination by a New York court. . . .”1469

In purely domestic disputes, a defendant that has filed a separate declaratory judgment action for nonliability in another forum may be disadvantaged if it seeks to have the disposition of the plaintiff’s claims against it heard in the other forum.1470 In a case in which this principle came into play, the plaintiff attempted to sue the defendant in the Southern District of Ohio but failed to identify the proper party in its complaint.1471 By the time the

1466. See id. at 614-15.
1467. Id. at 616.
1468. See id. at 617-18.
1469. See id. at 619-20.
plaintiff amended its complaint to address this deficiency, the defendant had sought declaratory relief in the District of Colorado and subsequently moved the Ohio court to transfer the plaintiff’s action to Colorado. The Ohio court declined to accept this invitation. It agreed with the defendant that the plaintiff’s original complaint was void *ab initio* and that the action before it therefore dated only from the filing of the amended complaint. That the defendant’s Colorado action was therefore first in time, however, did not resolve the matter. Rather, the court held, “[t]he first-to-file rule . . . does not provide a basis to dismiss or to transfer venue.”1472 Thus, the rule “does not supersede the inquiry into the balance of convenience under [28 U.S.C.] § 1404(a) and a transfer justified under § 1404(a) [may be] proper even if the action to be transferred was filed in the transferee district.”1473

Moving on to the relevant analysis under Section 1404(a), the court addressed factors it held warranted a transfer the action to the District of Colorado. Most significantly, the non-party designer of the plaintiff’s products and a number of other potential non-party witnesses resided in Colorado outside the subpoena power of the Ohio court; in contrast, the plaintiff was unable to identify any non-party witnesses in Ohio whose testimony might be necessary at trial. With such considerations as the comparative volume of cases and time to disposition in the two districts in question cancelling each other out, the convenience of these third-party witnesses tipped the balance in favor of a transfer.1474

Other opinions dismissing actions or ordering transfers did so in more conventional contexts.1475 In one case, three of the defendants were located in Connecticut, while only one was located in the forum in which the action had been filed, the Middle District of North Carolina.1476 Not surprisingly, those defendants’ key witnesses and documents also could be found in Connecticut; in contrast, only one of the plaintiffs’ witnesses and worked lived in North Carolina, and she was apparently a document custodian with no personal knowledge of the marks at issue. Although the plaintiffs’ choice of forum was entitled to “some weight,” and although cases in the District of Connecticut appeared to move

1472. *Id.* at 989.
1474. *See id.* at 992-93.
faster than their Middle District of North Carolina counterparts, the court ultimately transferred the action to the defendants’ home district, citing “the lack of connection between the facts of this case and this District, as well as the strong connection between Connecticut and those facts.”

5. Pleading Requirements

Rule 9 of the Federal Rules of Civil Procedure requires parties alleging fraud to state their averments with particularity. Whether this heightened pleading requirement applies to standard false advertising and deceptive trade practices cases so preoccupied one district court that it addressed the question on its own initiative when reviewing a motion to dismiss certain of the counterclaims before it.1478 Not surprisingly in light of the court’s interest in the subject, it concluded that counterclaims brought under both Section 43(a) and the Illinois Uniform Deceptive Trade Practices Act1479 fell within Rule 9’s ambit. Dismissal of those claims inevitably followed.1480

Another opinion discussed the requirements of Rule 9 at the invitation of the defendants.1481 The underlying case centered around the October 2005 administration of the SAT exam, which produced an initial round of inaccurate scores for some test takers. The plaintiffs were students or parents of students who had taken the SAT at that time, and who alleged that they had been damaged by the subsequent retabulation of the exam results. Among the plaintiffs’ claims against the exam’s administrators was the allegation that the defendants had violated Minnesota false advertising law. As the court noted, however, “Plaintiffs have failed to identify a single advertisement disseminated to the public in Minnesota.”1482 Moreover, “Plaintiffs have failed to identify any specific example of consumer fraud, relying instead on sweeping allegations of “fraudulent, misleading, and deceptive statements and practices.”1483 The court therefore dismissed the plaintiffs’ false advertising claims on the ground that “[h]aving failed to plead the who, what, when, where, and how of their consumer

1477. Id. at 768.
1482. Id. at 1003.
1483. Id.
6. Abstention

The issue of federal court abstention in an unfair competition action was addressed in a substantive manner by only one reported opinion over the past year. When the parties to a water softener distribution agreement parted ways, the former distributors filed a Florida state court action alleging fraud in the inducement and unfair trade practices, while the manufacturer of the water softeners filed federal trademark and other claims in the Southern District of Ohio. Seeking to stay or otherwise dispose of the federal action, the distributors argued that the Ohio court should abstain from acting under the so-called Colorado River abstention.

Applying Sixth Circuit doctrine, the court identified eight factors governing the issue of whether it should defer to the state court’s ruling on the Florida law issue before it: (1) whether the state court had assumed jurisdiction over any res or property; (2) whether the federal forum was less convenient to the parties; (3) the avoidance of piecemeal litigation; (4) the order in which jurisdiction had been obtained by the courts involved; (5) whether the source of governing law was state or federal; (6) the adequacy of state court action to protect the federal court plaintiff’s rights; (7) the relative progress of the state and federal court proceedings; and (8) the presence or absence of concurrent jurisdiction. By the time the federal court applied this analysis, the Florida state court had dismissed many of the claims before it, and this consideration obviously weighed against the Ohio court abstaining from addressing the issues before it. As to the others of record, only the distributors’ filing of their state court action twelve days before that of the manufacturer’s federal action clearly favored abstention, and even this factor could not be weighted heavily in light of the short period of time involved. Under these circumstances, and particularly because “[t]he doctrine of abstention . . . is an extraordinary and narrow exception to the duty of a District Court to adjudicate a controversy properly before it,” the court declined to stay its own proceedings.

1484. Id.
1487. See id. at 958.
1488. See id. at 958-59.
1489. Id. at 959 (quoting County of Allegheny v. Frank Mashuda Co., 360 U.S. 185, 188-89 (1959)) (ellipses in original).
7. Discovery Issues

Under Rule 56(f) of the Federal Rules of Civil Procedure, a litigant faced with an adverse motion for summary judgment can seek a postponement of the court’s consideration of the motion pending discovery that would allow the litigant to respond to the motion. As one court drove home in rejecting a plaintiff’s invocation of Rule 56(f), however, the rule requires the identification of the specific facts a nonmovant seeks to obtain with additional discovery. The issue presented by the motion in question was whether the plaintiffs’ claimed mark was generic; in response, the plaintiffs sought a continuance to depose seven employees of the defendants, all of whom resided in Israel. Rejecting the plaintiffs’ efforts to ward off summary judgment with this strategy, the court observed that “the plaintiffs failed to make clear what facts they intend to elicit from the seven Israeli declarants or how such facts would help the plaintiffs survive summary judgment on the issue of genericness.” Noting that the proper test for genericness focused on consumers’ perception of the claimed mark, the court further held that “[t]he plaintiffs have not demonstrated to the Court how the Israeli declarants would address consuming public perceptions. As such, the plaintiffs failed to present any, let alone sufficient, facts establishing the likelihood that controverting evidence exists as to the issue of the mark’s genericness.”

A Rule 56(f) response to another motion for summary judgment produced the same result. The counterclaim plaintiffs and all but one of the counterclaim defendants were law firms. Seeking to fend off the counterclaim defendants’ motion for summary judgment, the counterclaim plaintiffs claimed that they were entitled to discover the identity of, and then interview, their opponents’ clients. The court identified two grounds for rejecting this theory. First, it regarded the counterclaim plaintiffs’ requests on the subject to be a “clearly overbroad, intrusive, overly burdensome, and improper” fishing expedition for information protected by the attorney-client privilege. And, second, because the counterclaim plaintiffs’ claimed mark was generic, their failure

1492. Id. at 991.
1493. Id.
1495. Id. at 61-62.
to establish protectable rights in the first instance limited their
right to discovery bearing on the liability inquiry.\textsuperscript{1496}

Another court declining to order discovery did so in response to
a counterclaim defendant’s motion to compel the disclosure of
information bearing on alleged third-party use of marks similar to
those of the plaintiff, which the counterclaim defendant contended
he was parodying.\textsuperscript{1497} Somewhat unusually, the subject of the
motion was the use of individual elements of the counterclaim
plaintiff’s marks, rather than of the marks themselves. Although
this distinction formed a central part of the counterclaim plaintiff’s
defense against the motion, the court ultimately concluded that it
need not determine whether the evidence was relevant because the
counterclaim defendant had conceded that the marks in question
were strong. In the absence of such a concession:

one could argue that third-party usage of portions of the
trademark might be relevant in assessing the overall strength
of the trademark.... But because [the counterclaim
defendant] has conceded that [the counterclaim plaintiff’s]
trademarks in their entirety are strong and distinctive, the
existence of third-party usage of portions of those marks is
simply not relevant.\textsuperscript{1498}

The court was equally unreceptive to the counterclaim
defendant’s efforts to dispute the counterclaim plaintiff’s dilution
claims by compelling the production of “self-assessments, analyses,
reports, studies, or proposals” bearing on the counterclaim
plaintiff’s “reputational problems.”\textsuperscript{1499} As the court concluded of
these documents, “[the counterclaim plaintiff] internal assessment
of its reputation and responses to criticism are irrelevant. The
relevant measure of a likelihood of tarnishment is how the public,
not [the counterclaim plaintiff], perceives [the counterclaim
defendant’s] uses of the [counterclaim plaintiff’s] trademarks.”\textsuperscript{1500}

\textbf{8. Expert Witness Testimony}

Although the most common subject of expert witness
testimony in unfair competition litigation is survey evidence of
actual confusion, courts have proven increasingly willing to
consider experts in other fields as well.\textsuperscript{1501} One example of this

\begin{flushleft}
\footnotesize\textsuperscript{1496} Id. at 62-63.  \\
\textsuperscript{1498} Id. at 1322.  \\
\textsuperscript{1499} See id. at 1324.  \\
\textsuperscript{1500} Id.  \\
(relying on testimony from technical experts in evaluation of accuracy of defendant’s

phenomenon came in a right of publicity action brought by a former professional hockey player seeking to challenge the defendants’ use of the pseudonym under which he had played as the name for a fictional mafia boss in a comic book series.\textsuperscript{1502} Affirming a substantial monetary award in the plaintiff’s favor, the Missouri Court of Appeals referred to testimony by two experts, one of whom opined on the value of the plaintiff’s lost endorsement opportunities, while the other testified that the plaintiff was entitled to a 15% royalty on sales of the comic books in which the character appeared, as well as a 9% royalty on sales of all other goods. Upholding the trial court’s admission of the testimony, the appellate court noted that the opinions of each witness “were based on facts and data of the type reasonably relied upon by experts in the field and were otherwise reasonably reliable. The sources he relied on were not so slight as to render his opinions fundamentally unsupported.”\textsuperscript{1503}

Likewise, another court entertained expert witness testimony on the subject of privacy-policy statements.\textsuperscript{1504} The case had been brought by a college admission application service that objected to allegedly false advertising undertaken by a competitor. According to the plaintiff, the defendant’s website misled college applicants into approving the sale of their personal information to lenders offering college loans. To rebut this allegation, the defendant introduced expert testimony from the Executive Director for the International Association of Privacy Professionals, who also happened to be “a frequent world-wide lecturer and speaker on privacy and e-commerce law.”\textsuperscript{1505} Over the plaintiff’s objections, the court allowed the witness’s testimony that the defendant’s site was not misleading and otherwise in compliance with industry standards: “Plaintiff’s concerns regarding the reliability of [the witness’s] opinions are pertinent only to the weight they should be given rather than to their admissibility.”\textsuperscript{1506}

The past year also produced an opinion upholding the admissibility of expert testimony on the likelihood of confusion caused by the use of the plaintiff’s mark as a trigger for sponsored Internet advertising, despite the failure of the witness to conduct a

\textsuperscript{1502} See Doe v. McFarlane, 207 S.W.3d 52 (Mo. Ct. App. 2006).
\textsuperscript{1503} Id. at 67, 70.
\textsuperscript{1505} See id. at 1073.
\textsuperscript{1506} Id.
survey or to bring industry-specific credentials to the table.\textsuperscript{1507} The court rejected the defendant’s attack on the testimony for three reasons. First, with respect to the lack of a survey, “[the witness] relied on consumer focus groups, plaintiff’s marketing budgets, empirical studies on general Internet usage, empirical evidence found in materials published by the [industry trade association], and statistics tracking consumer use of [the] defendant’s sponsored link.”\textsuperscript{1508} Second, although not having specific expertise in the parties’ industry, “[the witness] is qualified because he is an expert in consumer behavior and marketing.”\textsuperscript{1509} Finally, although the defendant criticized the conclusions reached by the witness, the court concluded that the criticisms were more properly advanced on cross-examination, rather than in a motion to exclude.\textsuperscript{1510}

In contrast, another expert failing to survey consumers in a false advertising action met with a less sympathetic reception.\textsuperscript{1511} The expert’s testimony had been proffered by the plaintiff in support of its claims that telephone scripts used by call centers operated by the defendants on behalf of third parties, even if literally true, were nevertheless misleading. Rather than polling consumers to determine their reaction to the advertising, the expert chose to rely only on her review of consumer depositions and recordings of calls made to the call centers. Based on these items and her experience in consumer behavior, the expert opined that the scripts created “uncertainty” that resulted in increased sales by the defendant.\textsuperscript{1512} Skirting the issue of whether the expert’s report should be excluded altogether, the court held that “[a]n expert opinion is not the standard by which we measure actual consumer confusion.”\textsuperscript{1513} Noting that the expert was able only to opine on the “likely effect on consumer choice,” it further pointed out that the plaintiff bore the burden of “demonstrat[ing] how customers actually do react, not how they could react.”\textsuperscript{1514} The expert’s testimony therefore was insufficient to preclude entry of summary judgment in the defendant’s favor.

\textsuperscript{1507} See Edina Realty, Inc. v. TheMLSonline.com, 80 U.S.P.Q.2d 1039 (D. Minn. 2006).
\textsuperscript{1508} Id. at 1041.
\textsuperscript{1509} Id.
\textsuperscript{1510} See id. at 1041-42.
\textsuperscript{1512} See id. at 708-09.
\textsuperscript{1513} Id. at 711.
\textsuperscript{1514} Id.
9. Extraterritorial Application of the Lanham Act

The increasing pace of globalization notwithstanding, few reported opinions addressed the subject of the extraterritorial application of the Lanham Act. One that did was an action brought by a member of the Beach Boys, Mike Love, who objected to the sale in the United Kingdom of a CD featuring solo music of former Beach Boy Brian Wilson but featuring photographs of a lineup of the band that included Love. Arguing that the CD had not been distributed in the United States, the defendants moved for summary judgment on the ground that they were not subject to liability under the Lanham Act or California state law.

The court agreed. It noted that, as a general proposition, there were three prerequisites for an extraterritorial application of U.S. federal law:

[F]irst, the alleged violation must create some effect on American foreign commerce; second, the effect must be sufficiently great to present a cognizable injury to plaintiffs under the federal statute; and third, the interest of and links to American foreign commerce must be sufficiently strong in relation to those of other nations to justify the assertion of extraterritorial authority.

Applying this test, and discounting rather dubious testimony by an American associate of the plaintiff’s counsel that he had purchased a copy of the CD by mistake, the court concluded with respect to the first factor that “there is no evidence that the alleged activity affected United States commerce in any way.” As to the second, the court found that the absence of U.S. sales prevented the plaintiff from establishing that the defendants' conduct had caused a cognizable injury to him. And, finally, the third requirement could not be satisfied because, among other things, the conduct at issue might well have been legal in the country in which it occurred because of the more restrictive U.K. cause of action available under the circumstances. Accordingly, “any minimal United States interest in the conduct is far outweighed by the interest the United Kingdom would have had because the CDs were distributed there, and the conduct occurred there.”

1516. Id. at 1055.
1517. Id. at 1056.
1518. Id. at 1057.
10. Sanctions

Although the primary mechanism for sanctioning misbehaving litigants is Rule 11 of the Federal Rules of Civil Procedure, one plaintiff learned the hard way that federal courts also enjoy the inherent power to sanction litigants before them, as well as the ability to invoke 28 U.S.C. § 1927 to the same effect. Seeking to establish that the defendants’ distribution in the United Kingdom of a musical CD bearing unauthorized photographs of the plaintiff violated Section 43(a), the plaintiff submitted a declaration in which a putative U.S. consumer averred that he had purchased a copy of the CD on eBay. Detective work by the defendants, however, disclosed that the witness had been represented by, or otherwise associated with, the plaintiff’s law firms “in dozens of age and gender and age discrimination lawsuits filed against various businesses and non-profit entities.” Reacting to this discovery, the court observed that “[a]t a minimum, Plaintiff’s counsel should have disclosed his relationship with [the witness]; his failure to do so gives rise to the inference that the [witness’s] Declaration was an attempt to manufacture a genuine issue of fact where none exists.” Accordingly, the court imposed a sanction of $1,000 on the plaintiff’s counsel, payable to the court.

Counsel for another litigant were luckier. Seeking to bolster their client’s infringement claim, they drafted testimony for a witness, who revised and returned the statement to them. The statement was then presented to the witness again, who again revised it, but signed the revised copy and returned it to the lawyers with the comment, “I want this to reflect an honest description of what took place and also the wording is important to me. . . . If you make the changes on pages 1 & 2, I do not need to sign it again.” The plaintiff’s counsel ultimately forwarded an uncorrected draft of the statement with the witness’s signature attached, only to have the witness produce a copy with her edits at her deposition.

1522. See id. at 1059.
1523. Id.
1524. See id. at 1060.
1526. Quoted in id. at 1053.
1527. See id.
Not surprisingly, this sequence of events led to a motion for sanctions and harsh judicial words for the plaintiff’s counsel:

Contrary to [the plaintiff’s] assertion, this is not a no harm, no foul situation. It is true that [the witness’s] deposition cleared up any misstatement made in the witness statement. That fact, however, does not negate the fact that the integrity of the discovery process has been compromised by [the plaintiff’s] actions. Such conduct can indeed be considered sanctionable. Both the Federal Rules of Civil Procedure and the Rules of Professional Conduct require more of counsel.1528

Rather improbably, however, the court denied the defendants’ motion for sanctions, in the process warning that “[b]oth parties . . . are now on notice that such conduct will not be tolerated in the future.”1529

11. Court Review of, and Deference to, Patent and Trademark Office Decisions

As usual, the issue of the extent to which courts properly should defer to prior determinations of the USPTO produced inconsistent results. In one case, the Fourth Circuit was faced with a registration of mark issued by the USPTO without a requirement that the registrant demonstrate secondary meaning.1530 Citing several reasons for affirming a finding of suggestiveness, the Fourth Circuit included among them the theory that “we are obliged to defer to the determination of the PTO, which constitutes ‘prima facie evidence of whether the mark is descriptive or suggestive.’”1531

An additional example of a federal court deferring to the USPTO came in an opinion in which a district court declined to order the TTAB to dismiss a petition for cancellation.1532 Earlier in the case, the Second Circuit had concluded that the plaintiff, a Cuban company, was barred by the Cuban Embargo from acquiring trademark rights in the United States.1533 Seeking to bootstrap this holding into a victory into the dismissal of the plaintiff’s cancellation action, the defendant argued that the Second Circuit holding had preclusive effect that prevented the

1528. Id. at 1053-54 (citation omitted).
1529. Id. at 1054.
1531. Id. at 172 (quoting Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 934 (4th Cir. 1995)).
plaintiff from proceeding before the Board. The court, however, refused to enter the requested relief. It held that the questions decided by the Second Circuit were distinguishable from the registrability issues raised by the petition and further concluded that “the PTO and TTAB have the expertise to resolve [the defendant’s] claims and provide a fully adequate forum.”

Evaluations of the likelihood of confusion between marks by the USPTO fared less well. In one case, the defendants sought to avail themselves of an ex parte determination by an examining attorney that their proposed mark was not confusingly similar to any prior registered mark, a category that included the plaintiffs’ mark. The court acknowledged that “it is appropriate to ‘accord weight’ to an initial determination of a PTO examiner...” Nevertheless, it ultimately held that it was obligated to conduct an independent analysis of the degree of similarity between the parties’ marks under its circuit’s multifactored test for liability, an inquiry that led to the opposite result reached by the examiner.

G. Judicial Authority Over Federal Registrations and Applications

Section 37 of the Lanham Act provides that in any action involving a registered mark, the court “may determine the right to registration, order the cancellation of the registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any parties to the action.” Courts exercising authority under Section 37 most often do so to cancel registrations or block applications based on the prior use of a confusingly similar mark. Consistent with the Trademark Trial and Appeal Board’s recent focus on the issue of what constitutes the fraudulent procurement of registrations, however, federal district courts have increasingly had the opportunity to examine the accuracy and veracity of various filings. One adopted the strict standard historically applied to claims of fraud:

1536. Id. at 274 n.24 (quoting Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 148 n.11 (2d Cir. 1997)).
1537. See id.
Fraud in procuring a trademark [registration] occurs when an applicant knowingly makes false, material representations of fact in connection with an application. A party seeking cancellation of a registered trademark on grounds of fraud must demonstrate the alleged fraud by clear and convincing evidence. The Trademark Trial and Appeal of the PTO has held that this is a heavy burden that requires the [challenging] party to present proof that leaves nothing to speculation, conjecture, or surmise. Should there be any doubt, it must be resolved against the party making the claim.\textsuperscript{1540}

The occasion for this restatement was the advancement by the defendants of various theories of fraud. One was that the plaintiffs had defrauded the USPTO by representing to it during the application process that the products they intended to offer in their retail stores “will be of a wide range and will change from time to time” when in fact the goods were only to be diamond jewelry.\textsuperscript{1541} The court was unimpressed: “This argument is frivolous. As a simple linguistic matter, the claim is not that every product will change, but that the product offering\textit{ as a whole} will change.”\textsuperscript{1542} In any case, because it was undisputed that the plaintiffs did indeed offer goods other than diamond jewelry, “[t]he statement . . . is not false.”\textsuperscript{1543}

A second theory of fraud proffered by the defendants also fell short. On its face, Section 1 of the Act allows the filing and prosecution of an application only by the owner of the applied-for mark.\textsuperscript{1544} As it turned out, the defendants were licensees of the registered mark for use in connection with diamonds and jewelry, a circumstance that led the defendants to argue that the lead plaintiff was prevented from registering the mark for the retail store services covered by the application. Once again, the court was unswayed by the plaintiffs’ failure to disclose the existence of the license:

First, the PTO did not request this information. Second, the omission of this material did not make any of the [lead] plaintiff’s other statements ambiguous or misleading, much less false. . . .

Third, [the defendants] have not shown that the omission materially affected the PTO’s actions. . . . Plaintiffs were not


\textsuperscript{1541}. \textit{Quoted in id.} at 267.

\textsuperscript{1542}. \textit{Id.}

\textsuperscript{1543}. \textit{Id.}

trying to fool the PTO into allowing them to profit from a mark that the rightful owner was hoping to exploit. Rather, they were attempting to carry out the owner’s wishes. Therefore, it seems unlikely that the PTO would have looked less favorably on [the lead plaintiff’s] application had it known that [the lead plaintiff] was unable to register a mark for diamond jewelry.1545

The Board’s increasingly draconian approach to fraud claims was similarly not followed by another court, which held that:

In order to establish a claim of fraud in the procurement of a federal registration, [the] plaintiff must prove the following by clear and convincing evidence: (1) that [the] defendant made a false representation to the PTO regarding a material fact; (2) that [the] defendant knew that the representation was false; (3) that [the] defendant intended to induce the PTO to act in reliance on the misrepresentation; and (4) the PTO was thereby deceived into registering the mark. The “knowledge” element is satisfied where the applicant made material statements it knew or should have known were false.1546

Despite adopting this traditional (and more forgiving) standard for evaluating fraud claims, the court concluded that the registrant in question was not entitled to summary judgment. The gravamen of the challenge to the registration was that the registrant had falsely represented that it had made continuous use of its mark for five years as part of a showing of secondary meaning. Because there was record evidence that the period in question had only been four years, a dispute on this material fact precluded summary judgment.1547

Yet another opinion declining to follow the Board’s lead1548 addressed an issue not yet tackled in the Board’s published decisions, namely, whether a federal registrant has the obligation to amend its registration to delete any discontinued goods prior to the filing of its next declaration of continuing use under Section 8.1549 The defendant counterclaimed for cancellation based on the plaintiffs’ failure to take just such a step, but the court declined to issue the requested relief:

Many of the [plaintiffs’ subsidiary] companies that made these products have been sold or discontinued. However, plaintiffs

1545. 440 F. Supp. 2d at 268.
1547. See id. at 220-21.
assert, and defendant does not dispute, that they are not required to file their statement of continuing use yet and narrow the list of goods and services with which [the registered] mark is used. Accordingly, the court concludes that cancellation of plaintiffs' [registrations] is not warranted.1550

These holdings notwithstanding, at least allegation of fraudulent procurement met with a sympathetic reception.1551 The registration in question was owned by the counterclaim plaintiff, and covered the configuration of a folding chair. During the counterclaim plaintiff’s prosecution of its application, the USPTO examiner assigned to the application requested the identification of utility and design patents bearing on the design. In response, the counterclaim plaintiff disclosed one utility patent, but withheld information related to three others. Following a bench trial, the court concluded that the existence of the undisclosed utility patents constituted fraud:

[The counterclaim plaintiff] explains that these three expired patents were not relevant to the features of the folding chair that is depicted in [its] trademark because the expired patents did not claim these features and the registration relates to the overall appearance of the trademarked chair. Consequently, according to [the counterclaim plaintiff], these expired utility patents did not need to be disclosed to the PTO.

. . . .

. . . [T]he PTO requested the disclosure of all utility and design patents involving the subject of . . . [the] proposed registration. This request by the PTO was not limited to just features claimed by the patents, nor did the PTO need to limit its request about patents just to patent claims.1552

Particularly in light of evidence that the counterclaim plaintiff had additionally misled the USPTO concerning the reasons for a redesign of its product, the court ordered the counterclaim plaintiff’s registration cancelled.1553

1552.  Id. at 1016-17.
1553.  See id. at 1017-18.
H. Miscellaneous Matters

1. The Relationship Between Trademark Law and Copyright Law

Although the proper relationship between federal trademark and copyright law is a subject of considerable hand-wringing in academia, it makes only infrequent appearances in the case law. It did, however, rear its ugly head in one case in which the parties used photographic depictions of Marilyn Monroe on competing bottles of wine they produced. The defendants averred that they had a license to use the photographs on their bottles from the owner of the copyrights covering the photographs and that this grant of rights trumped the trade dress rights to the images that the plaintiff had asserted. The court was unconvinced, holding that “[a] service mark registration does not give the owner of the mark the right to infringe another’s copyright... A complementary conclusion is that a valid copyright does not entitle the copyright holder to infringe another’s trade dress rights.”

Three reported opinions addressed the issue of whether the federal Copyright Act “preempts” certain types of Lanham Act claims. The first, and more significant of the two, came in a case brought by the author and photographer of the best-selling book, Jonathan Livingston Seagull. The defendants were producers and distributors of health care products who imitated on blue fields in their packaging and promotional materials the fuzzy photographs of seagulls appearing throughout the book. They also referred to themselves as “the Jonathan brand,” called their distributors “Jonathans,” and gave out statues called “Jonathan Livingston Seagulls” to their top sellers. In the inevitable litigation spawned by these activities, the defendants argued unsuccessfully that an alleged overlap between the plaintiffs’ trademark and copyright claims precluded relief on the former. Granting the plaintiffs’ motion for summary judgment, the court held that:

[A]s Plaintiffs point out, Plaintiffs are seeking remedies for distinct wrongs under each legal framework. Plaintiffs’ rights in the name and title of Jonathan Livingston Seagull and the trade dress of the book cover (a white seagull in silhouette against a blue background) are protected under trademark

1555. Id. at 983.
1557. See id. at 1113-14.
law, not copyright law, because it is the name, title, and trade dress that are the source-identifying marks associated with Plaintiffs. And Plaintiffs’ rights in the [Jonathan Livingston Seagull] character, the photograph that [the lead defendant] used as its logo, and the portions of the copyrighted text used by [that defendant], are protected under copyright law, not trademark law, because the character, text, and images in Jonathan Livingston Seagull are the [plaintiffs’] creative work.\textsuperscript{1558}

In the second case, the gravamen of the plaintiff’s claims was that the defendants had copied the plaintiff’s website, a theory that led the defendants to argue that Lanham Act remedy was possible if an adequate one existed under federal copyright law.\textsuperscript{1559} Rejecting the defendants’ invitation to dismiss as a matter of law the plaintiff’s Section 43(a) claims, the court concluded that “Defendant[s] [have] presented no authority supporting [the] Rule 12(b)(6) dismissal of a Lanham Act claim based on the availability of an adequate remedy under copyright [law].”\textsuperscript{1560} Accordingly, it left the issue for resolution on a more developed factual record.\textsuperscript{1561}

2. Assignments in Gross

Disputes over whether an assignment was one in gross typically are triggered by a third party’s claims that the parties to the assignment failed to transfer the good will attached to the transferred mark.\textsuperscript{1562} One court, however, addressed the issue in a case against the former owners of a family business, who had ill-advisedly resumed use of their family name in direct competition with a successor in interest to the business.\textsuperscript{1563} Although the transaction documents for the sale of the business expressly provided that the lead defendant would transfer all the business’s outstanding stock, it was silent on whether the name of the business also would be similarly transferred. The transaction documents did, however, recite that the business was not using any marks at the time of the transaction and this led the defendants to assert that the lead defendant had received an assignment of the mark back from the purchaser. The court

\begin{itemize}
  \item \textsuperscript{1558} Id. at 1118.
  \item \textsuperscript{1559} See Blue Nile, Inc. v. Ice.com, Inc., 478 F. Supp. 2d 1240 (W.D. Wash. 2007).
  \item \textsuperscript{1560} Id. at 1245.
  \item \textsuperscript{1561} See id. at 1246.
  \item \textsuperscript{1562} See, e.g., Cobra Capital LLC v. LaSalle Bank Corp., 455 F. Supp. 2d 815, 820-21 (N.D. Ill. 2006) (holding that factual disputes precluded finding as a matter of law that assignment of mark to plaintiff by predecessor in interest was invalid assignment in gross).
  \item \textsuperscript{1563} See Ferrellgas Partners, Inc. v. Barrow, 80 U.S.P.Q.2d 1097 (M.D. Ga. 2006).
\end{itemize}
rejected this argument as a matter of law, holding that “[e]ven if the contract could be construed as effecting a transfer of the mark to [the lead defendant], sub silentio, such a transfer would be an invalid transfer ‘in gross.’” 1564 As the court further explained, “[a]fter selling all of his stock in [the business], [the lead defendant] exited [the field] with the understanding that [the purchaser] would carry on his work. Without the appurtenant goodwill, [the lead defendant] could not legally hold the mark for later exploitation.” 1565

An intra-familial transaction was the subject of another reported opinion that also rejected claims of an assignment in gross. 1566 The mark in question was used in connection with a series of restaurants owned by the members of a single family. Ownership of the mark was held by a family trust, which also owned one of the restaurant locations. At the direction of the trust instrument, ownership of the mark devolved to all three of the founders’ children, but ownership of the restaurant devolved to only two of the three. The widow of the child not receiving an interest in the restaurant then staked her claim to the mark in its entirety, alleging that the transfer of the mark to all three children under these circumstances constituted an impermissible assignment in gross. A panel of the California Court of Appeals disagreed. The court pointed out that the child excluded from the trust’s distribution owned four other restaurants operating under the mark at the time of the transfer. Although not elaborating on its holding at length, the court concluded from this consideration that “[n]o separation of the trademark from the good will it represents has occurred. . . . The trust’s assignment of trademark rights to [the] three children did not separate the trademark from the good will it represents and does not result in a deceptive use of the mark by any of them.” 1567

In a dispute involving more conventional allegations of an assignment in gross, a group of declaratory judgment plaintiffs sought to escape liability by arguing, among other things, that the defendants had acquired their rights through an invalid assignment from the federal government. 1568 The marks in question were MUSTANG RANCH, WORLD FAMOUS MUSTANG RANCH, and WORLD FAMOUS MUSTANG RANCH BROTHEL, used, as the latter suggests, in connection with a legal brothel in Nevada. After seizing the marks following the original

1564. Id. at 1103.
1565. Id.
1566. See Iskenderian v. Iskenderian, 51 Cal. Rptr. 3d 163 (Ct. App. 2006).
1567. Id. at 171 (citations omitted).
owner’s failure to remit payroll taxes, the government considered a number of options before disposing of the marks and other assets in a series of auctions. Unconvinced by the plaintiffs’ invocation of older case law adopting stringent tests for determining whether the required transfer of goodwill had occurred, the court first observed that “[i]f the federal courts have generally applied a less strict version of the rule against assignments in gross . . . , this can in part be chalked up to the text of the Lanham Act . . . , which provides for assignments and states that business good will is the corpus of the transfer without mentioning other business assets.”

It then referred to the defendants’ purchase of the real estate on which the marks were originally used, as well as the purchase by third parties of ancillary goods bearing the marks, to hold that: “Prostitution services” remain the essence of the business, and . . . there is strong evidence of fame in the Mustang Ranch mark (e.g., the inflated value of the auctioned assets such as the hot tub health certificate), which would appear to translate into good will. The buildings would also appear to represent a core aspect of the business . . . [and], of course, were sold with the trademark at the eBay auction.

Holding the issue to be “whether the assets purchased with the name are sufficient to enable the purchaser to go on in real continuity with the prior business, or whether the assets acquired would serve to recreate a unique atmosphere of the former business to identify the new business with it,” the court therefore rejected the plaintiffs’ allegations of an invalid assignment in gross.

Still, however, one claim of an assignment in gross struck pay dirt. The mark in question was WHAT HAPPENS IN VEGAS STAYS IN VEGAS, used by its original owner in connection with the promotion of tourism. The original owner was the Las Vegas tourism authority, which eventually transferred ownership of the mark to its advertising agency for one dollar and a license allowing it to continue using the mark. Although the assignment documents recited that the goodwill associated with the mark had been transferred as well, a court hearing a suit brought by the original owner and the agency concluded as a matter of law that the agency’s putative acquisition of the mark had been an invalid assignment in gross. It explained that “[the agency] has provided

1569. Id. at 1057.
1570. Id. at 1058-59.
1571. Id. at 1059.
no evidence that any business associated with the . . . mark was transferred along with the trademark itself. Rather, [the agency’s] interest in the . . . mark appears to be only that of creating an effective advertising campaign for its customer.”\textsuperscript{1573} The court found additional support for its conclusion in the fact that “the assignment of the . . . mark does not continue the reality symbolized by the assigned mark. [The agency] has provided no evidence that it has any interest in promoting Las Vegas as a tourist destination.”\textsuperscript{1574} Dominion over the mark therefore continued to vest in the original owner.\textsuperscript{1575}

### 3. Joint Ownership of Marks

Trademark law generally presupposes that a mark indicates a single source for goods or services associated with the mark, but one opinion from a panel of the California Court of Appeals rejected the theory that joint ownership of marks is impossible.\textsuperscript{1576} The dispute had its origins in a family trust that distributed ownership of the mark in question to three children of the trust’s settlor. Seeking the mark in its entirety, the widow of one of the children maintained that the transfer to all three was unlawful; because her husband had made independent uses of the mark before the transfer, this theory would presumably result in her acquiring all rights to it as a consequence of that use.\textsuperscript{1577}

Pointing out the availability of concurrent use registrations under the Lanham Act, the court observed that “[t]he law does not prohibit joint ownership of a trademark.”\textsuperscript{1578} With respect to the situation before it, the court acknowledged there was a risk of confusion if multiple parties were to use the same mark in connection with competing restaurants. Still, however:

> In this case, the policy of honoring the legitimate expectations of multiple family members owning the trademark would clearly outweigh any risk of customer confusion, as all members of the family have a strong interest in protecting the validity and integrity of the . . . mark and presumably would not engage in activity detrimental to their rights in the mark.\textsuperscript{1579}

The widow’s challenge to the assignment therefore failed.

\textsuperscript{1573} \textit{Id.} at 1149.
\textsuperscript{1574} \textit{Id.}
\textsuperscript{1575} See \textit{id.} at 1149.
\textsuperscript{1576} See Iskenderian v. Iskenderian, 51 Cal. Rptr. 3d 163 (Ct. App. 2006).
\textsuperscript{1577} See \textit{id.} at 169.
\textsuperscript{1578} \textit{Id.} at 168.
\textsuperscript{1579} \textit{Id.} at 169 (internal quotation marks omitted).
4. Interpretation of Trademark Licenses

Faced with allegations that they had infringed the trademarks and trade dress associated with a book, one group of defendants invoked an earlier agreement between the book’s author and a third party bearing on motion picture and merchandising rights to the book.\(^{1580}\) According to the defendants, the agreement worked an assignment of the plaintiffs’ rights that precluded the plaintiffs from suing the defendants. Although the agreement used the language “sells and assigns” when referring to the transfer of rights at issue, it also reserved to the author the right to fifty percent of any resulting profits. Based on this latter provision, the court strained mightily to conclude that the agreement was a license, and not an actual assignment:

> Read as a whole, the [agreement] only transferred limited rights—rights to make, distribute, and advertise a motion picture based on [the author’s] book, and rights to merchandising in relation to that motion picture. This interpretation is supported by the provision requiring royalty payments, which suggests a license, not an assignment of the entire interest.\(^{1581}\)

The absence of a boilerplate provision that any goodwill resulting from the agreement would inure to the benefit of the author did not affect the outcome.\(^{1582}\)

5. Interpretation and Enforcement of Settlement Agreements

The issue of the proper interpretation of settlement agreements arose with unusual frequency in the federal courts of appeals over the past year.\(^{1583}\) One opinion to address the issue came from the First Circuit in a dispute between two purveyors of fruit juices.\(^{1584}\) At an earlier stage of their dispute, the parties had resolved their differences through an agreement that required the defendant to publish a series of corrective advertisements in Taiwanese newspapers. As the court characterized the problem that then arose, “[b]ecause of a quirk in Taiwanese newspaper advertising, some of the advertisements ran in only half of a given

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1581. Id. at 1120.
1582. Id.
1583. See, e.g., Abercrombie & Fitch Co. v. Moose Creek, Inc., 486 F.3d 629, 638 (9th Cir. 2007) (affirming district court’s refusal to issue preliminary injunction against alleged violations of prior settlement agreement between parties).
1584. See Fonten Corp. v. Ocean Spray Cranberries, Inc., 469 F.3d 18 (1st Cir. 2006).
newspaper’s circulation.”1585 This led the plaintiff to file an action alleging breach of the settlement agreement, which was silent on the half circulation/full circulation issue. A jury declined to find such a breach, however, and both the district court and the First Circuit refused to disturb that verdict. According to the appellate court, the degree of detail in the agreement precluded a finding that the parties intended for the advertising to extend to the entire circulation of the magazines in which it was placed, despite their failure to memorialize that intent in written form.1586

The Seventh Circuit also addressed the meaning of a settlement agreement that later produced renewed litigation between the parties.1587 The key language in the agreement appeared in paragraph five, which recited that “[the defendant] shall not use the word ‘Blue’ on its credit cards.”1588 When the defendant later issued credit cards bearing the legend “Blue Cash,” the plaintiff not surprisingly claimed breach and the parties found themselves in court again. Purporting to apply the paragraph’s literal text, the district court concluded that this language prohibited only standalone uses of the word “blue”; consequently, the added word “cash” removed the defendant’s card from the ambit of the agreement. On appeal, the Seventh Circuit took issue with this holding, determining instead that “[w]e conclude that ¶ 5 means what it says: [The defendant] must not put the word ‘blue’ on any credit card. ‘Blue Cash includes the word ‘blue’ and thus violates ¶ 5.”1589 Although acknowledging that “[c]ontractual ambiguities should not be read to create one-sided or unlikely businesses arrangements,” the court went on to conclude that “(a) ¶ 5 isn’t ambiguous, and (b) there is nothing one-sided about the bargain of which ¶ 5 is a component.”1590

Finally, the Sixth Circuit had the occasion to address the significance of an allegedly breached settlement agreement to a motion to vacate a consent judgment entered pursuant to the agreement.1591 Alleging the defendant was in breach of the earlier settlement, the plaintiff successfully convinced the district court that had entered the consent judgment to vacate the judgment under Rule 60(b) of the Federal Rules of Civil Procedure. On the defendant’s appeal, the Sixth Circuit held that the district court

1585. Id. at 20.
1586. See id. at 23-24.
1587. See Blue Cross & Blue Shield Ass’n v. Am. Express Co., 467 F.3d 634 (7th Cir. 2006).
1588. Quoted in id. at 636.
1589. Id. at 639.
1590. Id.
had erred by failing to consider whether the defendant’s alleged breach constituted the sort of extraordinary circumstance justifying the reinstatement of the original action. It explained that “[r]elief is not always mandated merely because one party breaches the terms of the settlement agreement. . . . If adequate relief is available through a separate lawsuit for breach of the settlement agreement, the court may leave the parties to that remedy and refuse to set the judgment aside.” 1592 The appellate court therefore vacated the district court’s decision and remanded the action for additional fact-finding on the subject of whether the relief pursued by the plaintiff was warranted. 1593

6. Trademark-Related Bankruptcy Issues

The past year saw several interesting reported opinions addressing trademark-related bankruptcy issues. 1594 For example, the transferability of trademark licenses in bankruptcy proceedings has been an increasingly frequent source of litigation. The most recent case to address the issue came in an action in which a debtor in possession moved a bankruptcy court for an extension of time in which to determine whether to assume or reject a franchise agreement, and the franchisor moved for relief from the stay to terminate the agreement on the theory that federal trademark law prevented any assumption or assignment by the debtor. 1595 As a general proposition, federal bankruptcy law permits trustees to assume or reject executory contracts. 1596 Section 365(c) of the Bankruptcy Code, however, recognizes exceptions to this rule if (1) “applicable law excuses a party, other than the debtor, . . . from accepting performance from or rendering performance to an entity other than the debtor . . . , whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties” or, alternatively (2) if “such party does not consent to such assumption or assignment.” 1597 Determining that the license was a nonexclusive one, the district court noted that

1592. Id. at 469 (quoting 12 James W. Moore, Moore’s Federal Practice § 60.48[3][d] (3d ed. 2000)).

1593. See id. at 470.

1594. Although not implicating unfair competition principles per se, an opinion otherwise of potential interest to trademark owners and attorneys alike is In re Stoller, 351 B.R. 605 (Bankr. N.D. Ill. 2006), the latest installment in the bankruptcy proceedings of Leo Stoller, the self-styled “nation’s most renowned Intellectual Property Entrepreneur with over 30 years in the fields of trademarks, licensing, and enforcement, expert witness testimony, trademark valuation expert and legal services ethics.” Quoted in id. at 609.


1597. Id. § 365(c)(1)(A)-(B).
“[t]he Lanham Act provides that a licensor who grants a non-exclusive license for the use of its trademark is entitled to certain protections, including restrictions on assignment.”\textsuperscript{1598} It additionally affirmed the bankruptcy court’s holding that Section 365(c)’s terms applied to debtors in possession as well as trustees: “As a debtor in possession, . . . [the debtor] is in the same position as a trustee as to the application of Section 365. The assignment and assumption exceptions therefore apply to [the debtor], and it is prohibited from either assigning or assuming the agreements absent [the trademark owner’s] consent.”\textsuperscript{1599}

Another opinion addressed the issue of the outright assignment of rights to a mark in a bankruptcy proceeding.\textsuperscript{1600} The case had its origins in the timing of a judgment obtained by an unsecured creditor against the owner of a registered trademark, which occurred after the owner had filed for bankruptcy protection but before a settlement plan had been approved by the bankruptcy court. Through a series of asset transfers authorized by the settlement plan, the mark owner retained possession of the mark but was obligated to license the mark’s use to other parties. The unsecured creditor argued that it was entitled under New York law to an assignment of the mark as a result of its pre-settlement plan judgment, but the court disagreed. According to the court’s view of the bankruptcy proceedings, “the . . . settlement encompassed both common law and registered trademark rights along with the essential goodwill and . . . its confirmation closed any avenue of enforcement under state law under the principles of \textit{res judicata} as to those businesses affected.”\textsuperscript{1601} The court did, however, authorize the unsecured creditor to record a lien against the mark’s registration in the USPTO.\textsuperscript{1602}

The dischargeability of judgments in prior unfair competition actions also made appearances in bankruptcy proceedings over the past year. For example, one court interpreting Section 523 of the federal Bankruptcy Code\textsuperscript{1603} held that a debtor was not collaterally estopped from seeking a discharge of a prior judgment for infringement because the underlying action had not necessarily established the bad faith conduct on his part required to bar that

\textsuperscript{1598}. \textit{Wellington Vision}, 364 B.R. at 134.
\textsuperscript{1599}. \textit{Id}. at 137.
\textsuperscript{1601}. \textit{Id}. at 394.
\textsuperscript{1602}. See id.
\textsuperscript{1603}. 11 U.S.C. § 523(a)(6) (2000) (excluding from dischargeability liabilities resulting from “willful and malicious injury by the debtor to another entity or to the property of another entity”).
remedy. But if a bad faith intent is not necessary to liability for mere infringement, it is a prerequisite for relief under the ACPA; accordingly, the debtor's prior liability for cybersquatting did estop him for pursuing a discharge.

A prior finding of liability for the sale of goods bearing counterfeit marks played a role in another dispute over dischargeability. The debtor had been the chief executive officer of the lead corporate defendant in the earlier action, leading the corporation's shareholders to seek to except his portion of the resulting $10 million judgment from discharge. Entertaining the shareholders' motion for summary judgment, the court was unconvinced by each of two theories they advanced. First, the court rejected the plaintiffs' claim that the debtor's violation of his fiduciary duty to the corporation barred the requested discharge; rather, it held, the fiduciary duty established under applicable state law was not one contemplated by Section 523. And, second, the willful blindness relied upon by the court in the underlying action was an insufficient basis for a finding as a matter of law of the "willful and malicious injury" required to bar a discharge. Accordingly, and drawing all inferences in favor of the debtor, it deferred resolution of the issue until trial.

7. Exhaustion of Rights and Diverted Goods

Under U.S. exhaustion principles, a branded product may be purchased and resold without change, assuming that there is no deception present in the resale process. Quoting a prior opinion, one court explained that:

"[A] court faced with an infringement claim for unauthorized sales of a trademarked product must perform a two-part test analysis. First, the court must consider whether the trademark owner authorized the first sale of the goods. Second, the [trademark owner] must consider whether the goods were genuine. . . . If the goods were genuine, there is no violation of the Lanham Act despite the fact that the goods were resold without the trademark owner's consent[, unless the plaintiff can establish consumer confusion as to sponsorship]. . . . If the goods were not genuine, that is altered

1605. Id. at 213.
1607. Id. at 717.
1608. Id. at 717-18.
1609. See id. at 718.
or not in keeping with the trademark owner’s quality standards, a valid claim for trademark infringement is established. If the trademark owner did not approve the original sale, the goods cannot be considered genuine as a matter of law and infringement is established.”1610

As usual, these rules resulted in varying outcomes in infringement litigation. One Texas district court applied them in an action brought against a repackager and retailer of genuine goods originally placed on the market by the plaintiff.1611 The court found that the goods “had not been altered or transferred from their original container.”1612 Moreover, “[i]ndividual containers of . . . products, which were correctly labeled as [the plaintiff’s] . . . products, were packaged together in an open-faced box on which the consumer was advised that the original product had been ‘repackaged and distributed, not under license, by [the lead defendant].’”1613 Under these circumstances, the court was unwilling to reach a finding of liability based only on the plaintiff’s argument that the goods had been sold outside of the plaintiff’s authorized distribution system. On the contrary, because “[t]he ‘first sale’ rule bars [the plaintiff’s] trademark infringement and unfair competition claims, under both federal and Texas law,” it entered summary judgment in the defendants’ favor.1614

In stark contrast, other courts found that the circumstances under which genuine goods were resold created actionable deception in the marketplace.1615 For example, the Sixth Circuit was far more sympathetic to a plaintiff alleging that confusion was likely to result from the repackaging of the plaintiff’s products.1616 The gravamen of the plaintiff’s trademark claims in the case was that the defendants had created a likelihood of confusion by selling repackaged “retail editions” of the plaintiff’s audiobooks as “library editions” of the same works. The district court invoked the first-sale doctrine in granting the defendants’ motion to dismiss for failure to state a claim but the Sixth Circuit reversed. The

1612. Id. at 1152.
1613. Id. at 1152-53.
1614. Id. at 1154.
1616. See Brilliance Audio Inc. v. Haight’s Cross Commc’ns Inc., 474 F.3d 365 (6th Cir. 2007).
The appellate court noted that there were two exceptions to the doctrine: “The first situation is when the notice that the item has been repackaged is inadequate. . . . The second situation in which the first sale doctrine does not apply is ‘when an alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner.’” Despite the absence of the word “material” from the plaintiff’s opening pleading, the court held that “[c]onstruing the complaint broadly, [the plaintiff] has alleged that both of these exceptions to the first sale apply in the present case and thus that [the defendants have] committed trademark infringement.” Accordingly, dismissal of the plaintiff’s trademark claims had been inappropriate.

The exhaustion doctrine applies with equal force in the context of parallel imports, or “gray market” goods. According to the Seventh Circuit:

“An application of this rule to the facts of the case produced jockeying by both parties. The diverted goods in question were cigarettes, and the plaintiff initially argued that those sold by the defendant differed in taste and additives from their authorized counterparts. When the defendant sought discovery into the nature of the additives, the plaintiff shifted its position to rely instead on coupons offered only with the authorized domestic cigarettes, as well as alleged post-manufacturing quality control differences associated with the two categories of goods. Rejecting the defendant’s challenge to the district court’s decision to allow discovery into the abandoned additive theory, the Seventh Circuit affirmed a jury finding of liability.”

Non-physical differences between imported genuine goods and their domestic counterparts played a role in another case as

1617. Id. at 369-70 (quoting Davidoff & Cie, S.A. v. PLD Int’l Corp., 263 F.3d 1297, 1302 (11th Cir. 2001)).
1618. Id. at 370.
1619. R.J. Reynolds Tobacco Co. v. Cigarettes Cheaper!, 462 F.3d 690, 700 (7th Cir. 2006) (citation omitted).
1620. See id. at 701.
well. The plaintiffs, a watch manufacturer and its exclusive distributor, sought to block the importation of watches produced by the manufacturer but originally sold outside the United States. Moving for summary judgment, the defendant invoked the first sales doctrine, arguing that the genuine nature of the goods precluded liability. In response, the plaintiffs argued that the imported watches differed from their authorized counterparts because the packaging of the imports had been stripped of product reference numbers, SKUs, bar codes, and batch codes, and because the watches’ warranties were valid only when the watches were sold through authorized dealers. The court was unconvinced by the defendant’s argument that these differences were immaterial to consumers and therefore declined to dismiss the plaintiffs’ claims as a matter of law, in the process rejecting the defendant’s additional argument that the plaintiffs had waived their right to deny warranty coverage as a result of their having honored warranties on the imported watches in the past.

8. Necessary Parties

Most trademark disputes are brought by mark owners, but one reported opinion came in a case in which a trademark sublicensee asserted claims for infringement. In response to the licensee’s complaint, the defendants asserted that Rule 19 of the Federal Rules of Civil Procedure required the joinder of the actual mark owner as a plaintiff. The court agreed, concluding that “[i]t is not clear from the record that as the holder of a sublicense, Plaintiff necessarily has the right to sue for trademark infringement.” What’s more, the court concluded, if the mark owner were not joined, the defendants might face the prospect of two suits on the same facts, one brought by the sublicensee and one by the mark owner. Under these circumstances, it held that the mark’s owner was a necessary party to the litigation.

1622. See id. at 1250.
1623. See id. at 1250-51.
1626. Lion Petroleum, 467 F. Supp. 2d at 956.
1627. See id. at 956-57.
9. Rights of Congressionally Chartered Non-Profit Organizations

Federal law is replete with examples of congressionally chartered organizations that have been granted the exclusive rights to their names, but one district court noted that there are limits to those grants.1628 The plaintiff was just such an organization and had received from the federal government “the sole and exclusive right to have and to use in carrying out its purposes the name ‘The American National Theater and Academy.’”1629 In a suit against the user of the mark THE AMERICAN NATIONAL THEATRE INC., the plaintiff sought to invoke its special statutory protection, but failed to advance its claim beyond the pleading stage. Entertaining the plaintiff’s motion for partial summary judgment, the court held that “[b]ased on the statute’s plain language, [the plaintiff’s] right extends to the precise name appearing within the quotation marks, nothing more, and nothing less.”1630 Rejecting arguments that the legislative history of the statute expanded its reach beyond its literal terms and that the absence of the word “academy” in the defendant’s mark did not distinguish the mark from that of the plaintiff, the court declined to reach a finding of liability as a matter of law.1631

10. The Telemarketing and Consumer Fraud and Abuse Prevention Act

The Telemarketing and Consumer Fraud and Abuse Act authorizes any person “adversely affected” by deceptive telemarketing practices to bring an action against the offending party.1632 This statute was put to imaginative, if unsuccessful, use by a trademark plaintiff seeking to challenge an Internet search engine’s sale of the plaintiff’s marks as triggers for advertising placed by the plaintiff’s competitors.1633 Among its other causes of action, the plaintiff asserted that the defendant’s practices constituted unlawful telemarketing practices. The court was sympathetic, but only to a point: Although holding that the plaintiff enjoyed standing to assert its claim, it entered summary

1631. See id. at 492-93.
judgment of nonliability on the ground that the defendant was not actually engaged in telemarketing. 1634

11. Insurance Coverage

Disputes over the availability of insurance coverage for the defense of allegations of infringement and unfair competition continued to produce a mixed bag of results over the past year. As set forth below, the most interesting developments included two opinions from Ohio courts that distinguished the Sixth Circuit’s opinion in Advance Watch Co. v. Kemper Nat’l Ins. Co. 1635

a. Cases Ordering Coverage

In Advance Watch, the Sixth Circuit rejected a claim by a policyholder for coverage under a standard “advertising injury” clause. According to the court, allegations in the underlying case that the policyholder had engaged in trademark and trade dress infringement were not equivalent to accusations of the “misappropriation of advertising ideas or style of doing business,” which the express language of the clause required. Because the court perceived infringement as a specific statutory tort independent from the common law cause of action for misappropriation, coverage under the clause was inappropriate. 1636

Advance Watch turned on an application of Michigan law, which proved to be a key consideration in a decision by a panel of the Court of Appeals of Ohio not to follow the earlier decision. 1637 Like that in Advance Watch, the clause at issue defined an “advertising injury” as, among other things, “[m]isappropriation of advertising ideas or style of doing business.” 1638 Noting that “[t]he Sixth Circuit’s restrictive holding has been criticized as ignoring the ordinary meaning of the term ‘misappropriation,’” the Ohio court went the opposite direction. In affirming entry of summary judgment in the policyholder’s favor, it held that “[i]n this case, we resolve this ambiguity in the provision in favor of insurance coverage, as required under Ohio law. Thus, we decline to follow the holding of Advance Watch because the common meaning of ‘misappropriation’ incorporates the idea of trade-dress and trademark infringement.” 1639 The court additionally rejected the

1634. See id. at 296.
1635. 99 F.3d 795 (6th Cir. 1996).
1636. Id. at 803.
1638. Quoted in id. at 149.
1639. Id. at 152.
carrier’s argument that allegations of intentional infringement in the underlying action triggered a “knowledge of falsity” exclusion, explaining that “[the plaintiff in the underlying action] alleged that [the policyholder] acted intentionally or negligently in infringing its trade dress and trademark. [The plaintiff] could prevail on these Lanham Act claims without proving knowledge of the infringement.”

An identical result held in a federal court coverage dispute that also turned on Ohio law. The carrier had received a request for coverage by policyholders accused of having engaged in, among other things, intentional infringement and unfair competition. In a declaratory judgment action brought against the policyholders and another carrier seeking contribution, the carrier argued that the allegations of intentional misconduct removed the underlying action from the scope of the policy, which contained two intentional acts exclusions. Entering summary judgment in the defendants’ favor, the court held that “intentional acts exclusions do not negate the duty to defend unless there is no potential for liability under the allegations.” Because “the causes of action asserted against [the policyholders in the underlying action] do not necessarily require that, in order to find liability, the defendant have knowledge of falsity or knowledge that its conduct would cause advertising injury,” the exclusions did not apply.

Coverage was also ordered in a case turning on Wisconsin, rather than Ohio, law. The plaintiff in the underlying case had accused the policyholder of distributing software bearing counterfeit and infringing marks, which led the carrier to seek a declaratory judgment that the policyholder’s conduct did not constitute “advertising.” Noting that the case required it to choose “between the broad and narrow definitions of advertising,” the Wisconsin Court of Appeals first held that “[t]he choice . . . is made easy by one of the rules of insurance contract interpretation: any ambiguity in a policy must be construed in favor of coverage.” It then held that three considerations weighed in favor of ordering coverage: (1) trademarks were “titles” within the meaning of the policy in question, which covered the defense of allegations of “infringement of copyright, title or slogan”; (2) the court in the underlying action had found that the policyholder had used the offending trademarks in at least some of its advertising; and (3)

1640. Id. at 154.
1642. Id. at 1169.
1643. Id. at 1168.
1645. Id. at 467-68.
that advertising had contributed to the imposition of monetary relief in the underlying case in the form of statutory damages.\textsuperscript{1646} Accordingly, the court affirmed an order below mandating coverage by the carrier.\textsuperscript{1647}

\textbf{b. Cases Declining to Order Coverage}

Apparently not content to rely upon \textit{Advance Watch}'s application of Michigan law for protection, one Michigan-based carrier took matters into its own hands by incorporating a restrictive definition of “advertising injury” into its policy.\textsuperscript{1648} Under the policy, such an injury would take place only when: (1) there was a notice by the insured; (2) that was broadcast or published; (3) to the general public or specific market segments; (4) about the insured’s goods, products, or services; (5) for the purpose of attracting customers.\textsuperscript{1649} In an application of this standard, the Supreme Court of Michigan concluded that the insured’s shipment of a product in a package labeled with a competitor’s trademark did not satisfy the notice requirement. Rather, it held, “under the terms of the . . . policy, [the insured] must publicly disseminate information about its goods and services for the purpose of attracting the patronage of potential customers.”\textsuperscript{1650} To the extent that other customers of the insured might have been encouraged to do business with the insured after seeing the mislabeled package, that would have been “an incidental and remote benefit that does not fundamentally alter the fact that this was a single transaction with a specific customer.”\textsuperscript{1651} Accordingly, the intermediate court of appeals had erred in holding that coverage under the policy had been triggered.\textsuperscript{1652}

\textbf{c. Coverage to be Determined}

Just as the Court of Appeals of Ohio took issue with \textit{Advance Watch}, so too did a federal district court from that state also fire a shot across the bow of its own court of appeals.\textsuperscript{1653} The case originated in a claim for coverage by an insured that had been accused of trademark and trade dress infringement. When the

\textsuperscript{1646} See id. at 469-71.
\textsuperscript{1647} See id. at 472.
\textsuperscript{1648} See Citizens Ins. Co. v. Pro-Seal Serv. Group, 730 N.W.2d 682 (Mich. 2007).
\textsuperscript{1649} See id. at 687.
\textsuperscript{1650} Id.
\textsuperscript{1651} Id.
\textsuperscript{1652} See id. at 687-88.
defendant carrier declined to provide coverage under a standard advertising injury clause, the insured and two other carriers that had stepped up to the plate filed suit for contribution. Not surprisingly, the defendant carrier moved for summary judgment by invoking the much-maligned decision in *Advance Watch Co. v. Kemper Nat’l Ins. Co.*,\(^{1654}\) in which the Sixth Circuit declined to order coverage under a closely similar policy.

The district court declined to give *Advance Watch* dispositive effect. It noted that the Sixth Circuit in the earlier case had applied Michigan law to reach its holding, while the policy at issue was governed by Kentucky law. Of the distinction between the two, the district court noted that:

The Sixth Circuit’s interpretation of Michigan law, although persuasive, is not binding authority. No Kentucky state court has addressed the issue and no other [federal] court has ever attempted to interpret Kentucky law [on the subject]. What this Court is bound to do in this situation is to “ascertain from all available data . . . what the state’s highest court would decide if faced with the issue.”

It would be easy enough to simply adopt the Sixth Circuit’s view. In these circumstances, however, that is not this Court’s charge. Nor is a Sixth Circuit opinion necessarily a safe haven. For starters, *Advance Watch* represents a minority view. Although it has been affirmed within the Sixth Circuit, [courts in] other jurisdictions repeatedly have criticized it. Indeed, the majority rule is that trade dress infringement and trademark infringement can constitute “misappropriation of advertising ideas and style of doing business,” depending on the nature of the factual allegations in the underlying action. For these reasons, this Court has doubts that the Kentucky Supreme Court would adopt the Sixth Circuit’s reasoning.\(^{1655}\)

Notwithstanding its holding on this issue, however, the court rejected the plaintiff’s cross-motion for summary judgment on the ground that the coverage might be barred by “loss-in-progress” doctrine. It explained that “[t]his doctrine precludes coverage when the insured is aware of an ongoing progressive loss at the time the policy becomes effective.”\(^{1656}\) On this subject, the court noted that the insured had received demand letters from the plaintiff in the underlying action, albeit ones that failed to allege trademark or

\(^{1654}\) 99 F.3d 795 (6th Cir. 1996).

\(^{1655}\) *Pizza Magia*, 447 F. Supp. 2d at 772 (quoting Grantham & Mann, Inc. v. Am. Safety Prods., Inc., 831 F.2d 596, 608 (6th Cir. 1987)) (ellipses in original) (citations and footnote omitted).

\(^{1656}\) *Id.* at 774.
trade dress infringement, at the time the insured was negotiating the policy in question. Moreover, and in contrast to its earlier refusal to accord *Advance Watch* any weight, it relied upon an application of Michigan law by the Sixth Circuit in another case to hold that “the loss-in-progress doctrine[] does not apply only where the insured knows that a lawsuit has been filed against it or that it has incurred actual legal liability. Rather, the doctrine may apply where the insured has subjective knowledge of the damages that could underlie a legal claim against it.”1657 Because a reasonable factfinder could determine that the insured either did or did not have subjective knowledge that the plaintiff in the underlying action might ultimately bring an action for trademark and trade dress infringement, resolution of the issue of coverage as a matter of law was inappropriate.1658

12. State Taxation of Income Produced by Trademark Licenses

Most state court battles over whether the state government involved can permissibly tax the receipt of royalty payments originating in that state but paid to an out-of-state entity feature foregone conclusions. The Supreme Court of New Mexico, however, handed a victory to an Oklahoma franchisor that sought a refund of gross receipts taxes that it had paid on fees received from franchisees located in New Mexico.1659 The victory was a narrow one resting on the court’s holding that the relevant state law, which applied to sales within the state, did not reach the franchisor’s relationship with its franchisees. The court explained that “[t]he subject matter of [the franchisor’s] franchise agreements is not sold in New Mexico. The franchise agreements are purchased in Oklahoma and the rights governed by those agreements are then employed in, not moved to, New Mexico.”1660 Under this view of the franchise agreements, “because the sales do not occur in New Mexico, they are not properly taxable by New Mexico. The mere use of the property in New Mexico does not subject the . . . agreements to imposition of gross receipts taxation.”1661

1657. *Id.* at 776 (citations and footnote omitted).

1658. See *id.* at 778.


1660. *Id.* at 1271.

1661. *Id.*
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