

# The Trademark Reporter®



The Law Journal of the International Trademark Association

## United States Annual Review

The Seventy-Fifth Year of Administration  
of the Lanham Act of 1946

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# The Trademark Reporter®

(USPS 636-080)

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Vol. 113

January–February, 2023

No. 1

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## TABLE OF CONTENTS

### UNITED STATES ANNUAL REVIEW

#### **The Seventy-Fifth Year of Administration of the Lanham Act of 1946**

*Theodore H. Davis Jr. and John L. Welch*

Introduction.....	1
Part I. Ex Parte Cases.....	10
A. United States Court of Appeals for the Federal Circuit.....	10
1. Section 2(c) Consent to Register.....	10
2. Failure-to-Function.....	13
B. Trademark Trial and Appeal Board.....	15
1. Section 2(a) False Suggestion of a Connection.....	15
2. Section 2(d) Likelihood of Confusion.....	18
3. Section 2(e)(1) Mere Descriptiveness .....	20
4. Section 2(e)(3) Primarily Geographically Deceptively Misdescriptive.....	21
5. Section 2(e)(4)—Primarily Merely a Surname.....	23
6. Section 2(e)(5) Functionality .....	26
7. Section 2(f) Acquired Distinctiveness.....	29
8. Genericness.....	31
9. Nonuse .....	34
10. Failure-to-Function.....	35
11. Disclaimer Requirement.....	38
12. Procedural Issues.....	40
a. Failure to Comply with Domicile Address Requirement.....	40

Part II. Inter Partes Cases .....	42
A. United States Court of Appeals for the Federal Circuit .....	42
1. Section 2(d) Likelihood of Confusion .....	42
2. Article III Standing .....	44
3. Entitlement to a Statutory Cause of Action .....	46
4. Section 2(f) Acquired Distinctiveness .....	50
5. Constitutionality of ATJ Appointments .....	52
B. Trademark Trial and Appeal Board .....	55
1. Section 2(d) Likelihood of Confusion .....	55
2. Section 43(c) Dilution by Blurring .....	62
3. Fraud .....	66
4. Lack of Bona Fide Intent .....	74
5. Nonownership .....	75
6. Nonuse .....	76
7. Procedural Issues .....	78
a. Claim and Issue Preclusion .....	78
b. Withdrawal of Petition for Cancellation Without Prejudice .....	81
8. Discovery Issues .....	83
a. Timeliness of Discovery Requests .....	83
b. Modification of Standard Protective Order and Effect of GDPR Regulation .....	85
c. Sanctions for Violation of Standard Protective Order .....	89
9. Motion Practice .....	92
a. Motion for Relief from Judgment .....	92
b. Motion to Amend Notice of Opposition .....	92
c. Timeliness of Motion for Summary Judgment .....	95
d. Motion to Strike Testimony and Evidence .....	97
e. Motion to Re-open Discovery and Testimony Periods .....	98
Part III. Litigation in the Federal Courts and State Courts of General Jurisdiction .....	101
A. Infringement, Unfair Competition, and Related Torts .....	101
1. Establishing Liability .....	101
a. Liability for Violations of Trademark and Service Mark Rights .....	101
i. Defining Claimed Marks .....	101
ii. Establishing Protectable Rights .....	104

(A)	The Effect of Federal Registrations on the Mark-Validity Inquiry .....	104
(B)	The Common-Law Requirements for Mark Validity .....	106
(1)	Use in Commerce .....	106
(a)	The Significance of Federal Registration to the Use-in-Commerce Inquiry .....	106
(b)	The Nature and Quality of Use in Commerce Necessary to Establish Protectable Rights .....	108
(c)	Public Use .....	113
(d)	Lawful vs. Unlawful Use in Commerce .....	114
(e)	Use-Based Geographic Rights .....	115
(2)	Distinctiveness .....	116
(a)	Determining the Distinctiveness of Claimed Verbal Marks .....	116
(i)	Generic Designations .....	116
(ii)	Descriptive Marks .....	117
(iii)	Suggestive Marks .....	120
(iv)	Arbitrary Marks .....	122
(v)	Coined or Fanciful Marks .....	123
(b)	Determining the Inherent Distinctiveness of Claimed Trade Dress and Nonverbal Marks .....	123
(c)	Acquired Distinctiveness (Secondary Meaning) .....	128
(i)	Opinions Finding Acquired Distinctiveness .....	128
(ii)	Opinions Declining to Find Acquired Distinctiveness .....	129
(iii)	Opinions Deferring Resolution of the Acquired Distinctiveness Inquiry .....	132
(3)	Nonfunctionality .....	137
(a)	Utilitarian Nonfunctionality .....	137
(b)	Aesthetic Nonfunctionality .....	141
(C)	Ownership .....	142
iii.	Violations of Trademark and Service Mark Rights .....	145

(A) Actionable Uses in Commerce by Defendants .....	145
(1) Opinions Finding Actionable Uses in Commerce .....	145
(2) Opinions Declining to Find Actionable Uses in Commerce .....	147
(3) Opinions Deferring Resolution of the Actionable Use-in-Commerce Inquiry ....	149
(B) Infringement .....	150
(1) The Standard Multifactor Test for Likely Confusion .....	150
(a) Factors Considered .....	150
(i) The First Circuit .....	150
(ii) The Second Circuit .....	151
(iii) The Third Circuit .....	151
(iv) The Fourth Circuit .....	151
(v) The Fifth Circuit .....	151
(vi) The Sixth Circuit .....	152
(vii) The Seventh Circuit .....	152
(viii) The Eighth Circuit .....	152
(ix) The Ninth Circuit .....	153
(x) The Tenth Circuit .....	153
(xi) The Eleventh Circuit .....	153
(xii) The District of Columbia Circuit .....	153
(b) Findings and Holdings .....	154
(i) Opinions Finding Confusion Likely on Motions for Preliminary Injunctive Relief...	154
(ii) Opinions Finding Confusion Likely as a Matter of Law .....	159
(iii) Opinions Finding Confusion Likely After Trial .....	160
(iv) Opinions Finding Confusion Unlikely on Motions for Preliminary Injunctive Relief...	161
(v) Opinions Finding Confusion Unlikely as a Matter of Law .....	164
(vi) Opinions Finding Confusion Unlikely After Trial .....	170
(vii) Opinions Deferring Resolution of the Likelihood-of-Confusion Inquiry .....	174

(2) The First-Sale Doctrine and Likely Confusion Arising from the Diversion or Alteration of Genuine Goods .....	183
(C) Counterfeiting .....	188
(D) Actual or Likely Dilution .....	191
(1) Mark Fame and Distinctiveness.....	191
(a) Opinions Finding Marks Famous and Distinctive .....	192
(b) Opinions Declining to Find Marks Famous and Distinctive .....	192
(c) Opinions Deferring Resolution of the Mark-Fame and Mark- Distinctiveness Inquiries.....	195
(2) Actual or Likely Dilution .....	196
(a) Actual or Likely Dilution by Blurring .....	196
(b) Actual or Likely Dilution by Tarnishment .....	198
(E) Liability for Cybersquatting .....	198
(1) In Rem Actions .....	198
(2) In Personam Actions .....	199
b. Liability for Passing Off and Reverse Passing Off.....	203
i. Passing Off .....	204
ii. Reverse Passing Off .....	205
c. Liability for False Advertising.....	206
i. False Statements of Fact in Commercial Advertising or Promotion.....	207
(A) Actionable Statements of Fact.....	207
(1) The Existence of Statements in the First Instance .....	207
(2) Puffery .....	208
(3) Mere Opinions .....	209
(B) Actionable Commercial Advertising or Promotion .....	210
(1) Opinions Finding Actionable Commercial Advertising or Promotion ...	210
(2) Opinions Declining to Find Actionable Commercial Advertising or Promotion.....	211
(3) Opinions Deferring Resolution of the Actionable-Commercial-Advertising- or-Promotion Inquiry .....	212

(C) Falsity.....	213
(1) Opinions Finding Falsity .....	214
(2) Opinions Declining to Find Falsity.....	215
(3) Opinions Deferring Resolution of the Falsity Inquiry .....	216
ii. Actual or Likely Deception.....	218
iii. Materiality.....	219
iv. Interstate Commerce.....	220
v. Damage and Causation.....	220
d. Violations of Persona-Based Rights Under Federal and State Law .....	221
i. Opinions Finding Violations of Persona-Based Rights .....	221
ii. Opinions Declining to Find Violations of Persona-Based Rights .....	221
iii. Opinions Deferring Resolution of Claims of Violations of Persona-Based Rights.....	227
e. Violations of Rights Under Non-Persona-Based Rights Under State-Law Causes of Action.....	232
i. Preemption of State-Law Causes of Action .....	232
(A) Preemption by the Lanham Act.....	232
(B) Preemption by the Copyright Act .....	233
(C) Preemption by the Patent Act .....	235
ii. State-by-State Causes of Action .....	237
(A) California.....	237
(B) Georgia .....	239
(C) Nevada.....	240
(D) New York.....	241
f. Secondary Liability .....	242
i. Contributory Infringement .....	242
ii. Vicarious Liability.....	244
g. Individual Liability .....	246
2. Defenses .....	246
a. Legal Defenses .....	246
i. Incontestability .....	246
ii. Abandonment .....	247
(A) Nonuse.....	247
(B) Loss of Trademark Significance.....	248
(C) Naked Licensing.....	249
iii. Prior Use.....	250
iv. Descriptive Fair Use .....	251
v. Nominative Fair Use.....	253
vi. Statutes of Limitation.....	255



b. Equitable Defenses .....	256
i. Unclean Hands .....	256
ii. Laches.....	257
iii. Acquiescence.....	262
3. Remedies .....	262
a. Injunctive Relief.....	262
i. Prerequisites for Injunctive Relief.....	262
(A) Irreparable Harm.....	263
(B) Inadequacy of Legal Remedies .....	269
(C) Balance of the Hardships.....	270
(D) Public Interest.....	272
ii. Terms of Injunctive Relief.....	274
iii. Security .....	276
iv. Contempt.....	277
b. Monetary Relief.....	279
i. Damages .....	279
(A) Actual Damages .....	279
(1) Eligibility of Prevailing Plaintiffs for Awards of Actual Damages .....	279
(2) Calculation of Actual Damages.....	281
(B) Statutory Damages .....	282
ii. Accountings of Profits .....	285
(A) Eligibility of Prevailing Plaintiffs for Accountings of Profits .....	285
(B) The Accounting Process .....	288
iii. Adjustments of Awards of Actual Damages and Accountings of Profits .....	289
iv. Attorneys' Fees.....	291
(A) Eligibility of Prevailing Parties for Awards of Attorneys' Fees.....	292
(1) Determinations of the Prevailing Party .....	292
(2) Fee Requests by Prevailing Plaintiffs ....	293
(3) Fees Requests by Prevailing Defendants .....	296
(B) Calculation of Attorneys' Fees .....	298
v. Prejudgment Interest.....	299
B. The Relationship Between Courts and the United States Patent and Trademark Office .....	300
1. Judicial Review of, and Deference to, United States Patent and Trademark Office Determinations .....	300

- 2. Judicial Authority Over Federal Registrations and Applications ..... 302
- C. Constitutional Matters ..... 305
  - 1. Article III Cases and Controversies ..... 305
  - 2. The First Amendment ..... 307
    - a. The Right to Free Speech..... 307
    - b. The Right to Petition ..... 318
  - 3. The Right to a Jury Trial Under the Seventh Amendment..... 319
  - 4. The Dormant Commerce Clause ..... 320
- D. Procedural Matters..... 321
  - 1. Appellate Jurisdiction ..... 321
  - 2. Federal Subject-Matter Jurisdiction ..... 322
  - 3. Standing..... 322
    - a. Opinions Finding Standing..... 323
    - b. Opinions Declining to Find Standing..... 327
    - c. Opinions Deferring Resolution of the Standing Inquiry..... 329
  - 4. Personal Jurisdiction ..... 329
    - a. Opinions Exercising Personal Jurisdiction ..... 331
    - b. Opinions Declining to Exercise Personal Jurisdiction ..... 338
  - 5. Venue ..... 343
    - a. Opinions Finding Venue Proper ..... 344
    - b. Opinions Declining to Find Venue Proper..... 345
  - 6. Issue and Claim Preclusion ..... 346
    - a. Issue Preclusion (Collateral Estoppel) ..... 346
    - b. Claim Preclusion (Res Judicata)..... 346
  - 7. Judicial Estoppel ..... 348
  - 8. Extraterritorial Applications of the Lanham Act ..... 349
  - 9. Joinder ..... 350
    - a. Indispensable Parties ..... 350
    - b. Improper Joinder ..... 350
  - 10. Service of Process..... 352
  - 11. Arbitrability ..... 352
  - 12. Sanctions..... 354
- E. Evidentiary Matters ..... 355
  - 1. Admissibility of Expert Witness Testimony..... 355
    - a. Survey Experts..... 355
    - b. Monetary Relief Experts..... 362
    - c. Other Experts..... 364

2. Admissibility of Other Evidence.....	366
F. Trademark- and Service Mark-Related Transactions .....	368
1. Interpretation and Enforcement of Assignments .....	368
2. Interpretation and Enforcement of Licenses .....	370
3. Interpretation and Enforcement of Settlement Agreements .....	370
G. The Relationship Between the Lanham Act and Other Statutes.....	372
1. The Food, Drug, and Cosmetic Act.....	372
2. The Communications Decency Act of 1996 .....	373
H. Insurance-Related Issues .....	375
1. Opinions Ordering Coverage .....	375
2. Opinions Declining to Order Coverage.....	376
3. Opinions Deferring Resolution of the Coverage Inquiry .....	379

# The Trademark Reporter®

## UNITED STATES ANNUAL REVIEW

### THE SEVENTY-FIFTH YEAR OF ADMINISTRATION OF THE LANHAM ACT OF 1946\*

#### INTRODUCTION

*By Theodore H. Davis Jr.\*\**

In his most recent annual report on the state of the federal judiciary,<sup>1</sup> Chief Justice John Roberts noted a consistent decline in the number of civil filings in federal courts beginning in fiscal year 2020.<sup>2</sup> Whether because of the COVID pandemic or for other reasons, much the same decline was visited on litigation under the Lanham Act, related state statutes, and the common law of unfair competition during the Act's Diamond Anniversary. The reported opinions addressed by this Review therefore are conspicuously less numerous than those covered in past years, especially those

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\* The Annual Review is a continuation of the work originated in 1948 by Walter J. Derenberg and written by him through The Twenty-Fifth Year in 1972. This Review primarily covers reported opinions reported between July 1, 2021, and June 30, 2022, as well as certain ones falling outside that twelve-month period.

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In the interest of full disclosure, the author notes his participation, or that of his law firm, in the following cases referenced by this Review: *VIP Products LLC v. Jack Daniel's Properties Inc.*, No. CV-14-02057-PHX-SMM, 2021 WL 5710730 (D. Ariz. Oct. 8, 2021), *aff'd*, No. 21-16969, 2022 WL 1654040 (9th Cir. Mar. 18, 2022), *cert. granted*, 143 S. Ct. 476 (2022) (counsel for petitioner); *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016 (10th Cir. 2021), *cert. granted sub nom. Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 143 S. Ct. 398 (2022) (counsel for amicus curiae Intellectual Property Owners Association); *Bluetooth SIG Inc. v. FCA US LLC*, 30 F.4th 870 (9th Cir. 2022) (*per curiam*) (counsel for defendant); *Galperti, Inc. v. Galperti S.r.l.*, 17 F.4th 1144 (Fed. Cir. 2021) (counsel for petitioner); *adidas America, Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151 (S.D.N.Y. 2022) (counsel for plaintiffs).

The author gratefully acknowledges the editorial contributions of Mary Kathryn Hagge, as well as the cite-checking assistance of Cynthia W. Baldwin, M. Rebecca Hendrix, and Richard L. Sieg.

<sup>1</sup> John G. Roberts, Jr., 2022 Year-End Report on the Federal Judiciary 5 (Dec. 31, 2022), 2022year-endreport.pdf (supremecourt.gov).

<sup>2</sup> The federal judiciary's fiscal year runs from October 1 to September 30 of each year, while the Lanham Act year for purposes of this Review runs from July 1 to June 30; there consequently is not a direct overlap between the two.

originating in the federal courts and state courts of general jurisdiction.

Nevertheless, the past year was not without notable developments, including, most notably, those arising from the intersection of trademark law, on the one hand, and speech protected by the First Amendment to the federal Constitution,<sup>3</sup> on the other.<sup>4</sup> For years, courts entertaining infringement-based challenges to deliberate imitations of plaintiffs' marks for allegedly expressive purposes have had two frameworks available to them: (1) the standard multifactored test for likely confusion, typically applied to evaluate the lawfulness of alleged parodies;<sup>5</sup> and (2) the test found in *Rogers v. Grimaldi*,<sup>6</sup> which requires the plaintiff to demonstrate that the imitation of its mark in the title or content of an expressive work either has no artistic relevance to that work, or, if it does have artistic relevance, it is explicitly misleading.<sup>7</sup> A plaintiff before a court that has adopted *Rogers* must also demonstrate that confusion is likely, whether as a standalone showing, as in the Ninth Circuit, or as an inherent part of the

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<sup>3</sup> U.S. Const. amend. I.

<sup>4</sup> That intersection has been addressed in numerous pieces appearing in the pages of this journal. See, e.g., Taylor E. Green, *The Rogers Test Dances Between Trademark Protection Under the Lanham Act and Freedom of Speech Under the First Amendment*, 112 TMR 843 (2022); Kathleen E. McCarthy, *Free Ride or Free Speech? Predicting Results and Providing Advice for Trademark Disputes Involving Parody*, 109 TMR 691 (2019); Lynn M. Jordan & David M. Kelly, *Another Decade of Rogers v. Grimaldi: Continuing to Balance the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 109 TMR 833, 835 (2019); Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 105 TMR 1177 (2015); Anthony L. Fletcher, *The Product with the Parody Trademark: What's Wrong with Chewy Vuiton?*, 100 TMR 1091 (2010); David M. Kelly & Lynn M. Jordan, *Twenty Years of Rogers v. Grimaldi: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 99 TMR 1360 (2009); Jonathan Moskin, *Frankenlaw: The Supreme Court's Fair and Balanced Look at Fair Use*, 95 TMR 848, 859 (2005); Margreth Barrett, *Domain Names, Trademarks and the First Amendment: Searching for Meaningful Boundaries*, 97 TMR 848 (2007); Kerry L. Timbers & Julia Huston, *The "Artistic Relevance Test" Just Became Relevant: The Increasing Strength of the First Amendment as a Defense to Trademark Infringement and Dilution*, 93 TMR 1278 (2003); Richard B. Biagi, *The Intersection of First Amendment Commercial Speech Analysis and the Federal Dilution Act: A Jurisprudential Roadmap*, 91 TMR 867, 868 (2001); Michael K. Cantwell, *Confusion, Dilution, and Speech: First Amendment Limitations on the Trademark Estate*, 87 TMR 48, 61 (1997); Arlen W. Langvardt, *Trademark Rights and First Amendment Wrongs: Protecting the Former Without Committing the Latter*, 83 TMR 633 (1993).

<sup>5</sup> See, e.g., *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 261 (4th Cir. 2007) ("[A] finding of a successful parody only influences the way in which the [likelihood-of-confusion] factors are applied. Indeed, it becomes apparent that an effective parody will actually diminish the likelihood of confusion, while an ineffective parody does not." (citation omitted)).

<sup>6</sup> 875 F.2d 994 (2d Cir. 1989).

<sup>7</sup> *Id.* at 999.

inquiry into whether the defendant's use is explicitly misleading, as in the Second Circuit.<sup>8</sup>

The distinction between the Second Circuit's and the Ninth Circuit's approaches to the relationship between the likelihood-of-confusion inquiry and that into whether a defendant's use is explicitly misleading is often overlooked, but it nevertheless is significant. Applications of the *Rogers* analysis by Second Circuit courts require a "particularly compelling" showing of likely confusion for a defendant's use to qualify as explicitly misleading.<sup>9</sup> Although the Second Circuit has never expressly so held, its version of *Rogers* therefore essentially raises the standard of proof for a finding of infringement from the usual preponderance of the evidence<sup>10</sup> to something more akin to clear and convincing evidence. The Ninth Circuit has departed from historical practice even further: By holding that the test for an explicitly misleading use is separate and distinct from the likelihood-of-confusion inquiry, its version of *Rogers* includes a requirement for liability lacking either a statutory or common-law antecedent.<sup>11</sup>

Whatever the precise formulation of *Rogers* may be, a defendant's confusingly similar imitation of a plaintiff's mark as a mark for the defendant's own goods typically has disqualified that

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<sup>8</sup> Compare *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 265 (9th Cir. 2018) ("If the plaintiff satisfies both elements, [i.e., a lack of artistic relevance or the existence of explicitly misleading conduct] it still must prove that its trademark has been infringed by showing that the defendant's use of the mark is likely to cause confusion.") with *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993) ("This determination [of explicitly misleading conduct] must be made, in the first instance, by application of the venerable *Polaroid* [likelihood-of-confusion] factors.").

<sup>9</sup> *Champion v. Moda Operandi, Inc.*, 561 F. Supp. 3d 419, 436 (S.D.N.Y. 2021) (quoting *Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993)). For an alternative formulation from the past year to similar effect, see *Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98, 105 (S.D.N.Y. 2022) (showing of likely confusion must be "sufficiently compelling to outweigh the public interest in free expression").

<sup>10</sup> See, e.g., *Stratus Networks, Inc. v. UBTA-UBET Commc'ns Inc.*, 955 F.3d 994, 998 (Fed. Cir. 2020) ("In opposition proceedings, the opposer has the burden of proving a likelihood of confusion by a preponderance of the evidence."); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 608–09 (9th Cir. 2005) ("The fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely.").

<sup>11</sup> As the Ninth Circuit explained over the past year:

[T]he "explicitly misleading" component of *Rogers* sets "a high bar that requires the use to be an explicit indication, overt claim, or explicit misstatement about the source of the work."

Because the use of a trademark alone is not dispositive, we weigh two primary considerations in evaluating whether the junior use is explicitly misleading: "(1) the degree to which the junior user uses the mark in the same way as the senior user' and (2) 'the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself.'"

*Punchbowl, Inc. v. AJ Press, LLC*, 52 F.4th 1091, 1100 (9th Cir. 2022) (quoting *Dr. Seuss Enters., L.P. v. ComicMix LLC*, 983 F.3d 443, 462 (9th Cir. 2020)).

use for First Amendment protection.<sup>12</sup> In recent years, however, the Ninth Circuit has increasingly held that even trademark uses by defendants qualify for the *Rogers* test. That pattern held over the past year, with the court concluding that “[j]ust because a mark is used as a brand . . . does not mean the use of the name is beyond *Rogers*’s coverage.<sup>13</sup> Under that rule, any defendant with a credible claim that its goods or services feature some degree of creativity can assert First Amendment protection for the mark under which the goods or services are provided, regardless of that mark’s confusing similarity to another mark.

Still, some cracks in the *Rogers* citadel emerged. For example, one court declined to apply *Rogers* in a case in which the defendant characterized shoes it had based on another company’s footwear as “limited edition, collectible work[s] of art”;<sup>14</sup> that court instead issued a preliminary injunction after finding confusion likely under a parody analysis turning on the standard likelihood-of-confusion factors.<sup>15</sup> Although evaluating a challenge to a seller of nonfungible tokens comprising digital handbags under the *Rogers* rubric, another court declined to dismiss the plaintiff’s infringement and unfair competition causes of action for failure to state a claim,<sup>16</sup>

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<sup>12</sup> See, e.g., *Harley Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 812 (2d Cir. 1999) (distinguishing *Rogers* and observing that “[w]e have accorded considerable leeway to parodists whose expressive works aim their parodic commentary at a trademark or a trademarked product, but have not hesitated to prevent a manufacturer from using an alleged parody of a competitor’s mark to sell a competing product”); see also *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*, 128 F.3d 86, 93 (2d Cir. 1997) (rejecting First Amendment defense on ground that “[the defendant] is using the [challenged] slogan as a mark, and using it to suggest the same source identification as plaintiffs”); *SMJ Grp., Inc. v. 417 Lafayette Rest. LLC*, 439 F. Supp. 2d 281, 291 (S.D.N.Y. 2006) (“The 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. Here, defendants use plaintiffs’ marks as a source identifier, and therefore defendants’ use is not protected by the First Amendment. The fact that defendants’ message is critical as a general matter is not dispositive, because the use of the mark and not the content of the message is the focus of the inquiry.”); *Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 954 (N.D. Ill. 2002) (“[A] First Amendment defense fails ‘where the trademark functions to connote the source of the product or message, rather than being used in a communicative message.’” (quoting *Brach Van Houten Holding, Inc. v. Save Brach’s Coal. for Chicago*, 856 F. Supp. 472, 476 (N.D. Ill. 1994)); *Res. in Motion Ltd. v. Defining Presence Mktg. Grp.*, 102 U.S.P.Q.2d 1187, 1192 (T.T.A.B. 2012) (“[I]n the event that prospective purchasers of applicants’ goods and services might well believe that both parties’ goods and services come from the same source, then the likelihood of confusion will usually trump any First Amendment concerns.”).

<sup>13</sup> See *Punchbowl, Inc. v. AJ Press, LLC*, 52 F.4th 1091, 1099 (9th Cir. 2022).

<sup>14</sup> See *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 602 F. Supp. 3d 358, 369 (E.D.N.Y. 2022), appeal docketed, No. 22-1006 (2d Cir. May 22, 2022).

<sup>15</sup> *Id.* at 367-71.

<sup>16</sup> See *Hermès Int’l v. Rothschild*, 603 F. Supp. 3d 98 (S.D.N.Y. 2022).

denied a defense motion for summary judgment,<sup>17</sup> and ultimately referred the liability inquiry to a jury, which found infringement even under *Rogers*.<sup>18</sup> And, of greatest importance by far, the Supreme Court issued a writ of certiorari to the Ninth Circuit on a petition presenting the following as one of its two questions presented: “Whether humorous use of another’s trademark as one’s own on a commercial product is subject to the Lanham Act’s traditional likelihood-of-confusion analysis, or instead receives heightened First Amendment protection from trademark-infringement claims.”<sup>19</sup>

The Court’s answer to that question could also resolve several other related ones. For example, is it valid for courts to substitute the *Rogers* analysis for the actual test for liability—likelihood of confusion—codified by Congress in Sections 32(1) and 43(a) of the Lanham Act? Likewise, what distinguishes a parody of a plaintiff’s mark, on the one hand, from an expressive creative, or artistic work in which an imitation of that mark appears, on the other?<sup>20</sup> And what significance should a defendant’s use of an imitation of a plaintiff’s mark as a mark for the defendant’s own goods receive in the First Amendment analysis?

The Supreme Court also agreed to review the question of under what circumstances the Lanham Act can apply on an extraterritorial basis.<sup>21</sup> That development came in a case in which a prevailing plaintiff successfully secured a substantial accounting of profits arising from the defendants’ sales in Europe of goods

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<sup>17</sup> See *Hermès Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2023 WL 1458126 (S.D.N.Y. Feb. 2, 2023).

<sup>18</sup> See Verdict Form at 1, *Hermès Int’l v. Rothschild*, No. 22-CV-384 (JSR) (S.D.N.Y. Feb. 8, 2023).

<sup>19</sup> Petition for Writ of Certiorari at I, *Jack Daniel’s Props., Inc. v. VIP Prods. LLC*, No. 21-16969 (U.S. Aug. 5, 2022).

The other question presented by the petition bears on the petitioner’s claim of likely dilution by tarnishment, namely, “[w]hether humorous use of another’s mark as one’s own on a commercial product is ‘noncommercial’ under 15 U.S.C. § 1125(c)(3)(C), thus barring as a matter of law a claim of dilution by tarnishment under the Trademark Dilution Revision Act.” *Id.*

<sup>20</sup> With the Ninth Circuit having repurposed a traditional definition of “parody” as the definition of “expressive work,” the distinction between those once-separate concepts may be a thing of the past in that jurisdiction. Compare *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987) (defining parody as a “a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner”) with *VIP Prods. LLC v. Jack Daniel’s Props., Inc.*, 953 F.3d 1170, 1175 (9th Cir. 2020) (defining expressive work as “a simple” message conveyed by ‘juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.’” (quoting *L.L. Bean*, 811 F.2d at 34)), *cert. denied*, 141 S. Ct. 1054 (2021), *on remand*, No. CV-14-02057-PHX-SMM, 2021 WL 5710730 (D. Ariz. Oct. 8, 2021), *aff’d*, No. 21-16969, 2022 WL 1654040 (9th Cir. Mar. 18, 2022), *cert. granted*, 143 S. Ct. 476 (2022).

<sup>21</sup> See *Hetronic Int’l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016 (10th Cir. 2021), *cert. granted sub nom. Abitron Austria GmbH v. Hetronic Int’l, Inc.*, 143 S. Ct. 398 (2022).



violating the plaintiff's trademark and trade dress rights. Although the Court held seven decades ago in *Steele v. Bulova Watch Co.*<sup>22</sup> that the text of the Lanham Act rebuts the general presumption against territoriality,<sup>23</sup> the Court's affection for the presumption has increased since then,<sup>24</sup> thereby calling into question whether the Court would reach the same conclusion if addressing it today in the first instance. Moreover, because *Steele* neither adopted nor endorsed a particular test for extraterritoriality, myriad such tests have emerged among the federal circuit courts of appeals in the intervening years in addition to the one applied by the Tenth Circuit in the case before the Court.<sup>25</sup> The Court's opinion in that case ideally will bring much-needed clarity to more than one of the currently unresolved issues associated with Act's potential extraterritorial reach.

Outside of impending Supreme Court activity, reported opinions originating in the regional circuits reflected pronounced spikes in the number of cases asserting particular theories of liability. Those included, for example, multiple complaints grounded in the diversion or alteration of once-genuine goods.<sup>26</sup> They also swept in plaintiffs' allegations of reverse confusion<sup>27</sup> and violations of persona-based rights; the second of these categories captured the alleged misuse of plaintiffs' images and personal information scraped from high-school yearbooks to promote subscriptions to databases containing still more of the plaintiffs' images and personal information,<sup>28</sup> as well as the increasingly ubiquitous

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<sup>22</sup> See *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

<sup>23</sup> See, e.g., *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949); *Blackmer v. United States*, 284 U.S. 421, 437 (1932).

<sup>24</sup> See, e.g., *RJR Nabisco, Inc. v. European Cmty.*, 579 U.S. 325, 239 (2016) ("[W]hen a statute provides for some extraterritorial application, the presumption against extraterritoriality operates to limit that provision to its terms." (quoting *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 265 (2010))).

<sup>25</sup> See *Trader Joe's Co. v. Hallatt*, 835 F.3d 960 (9th Cir. 2016); *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2005); *Int'l Cafe, S.A.L. v. Hard Rock Café Int'l (U.S.A.), Inc.*, 252 F.3d 1274 (11th Cir. 2001); *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 152 F.3d 948, 1998 WL 169251 (Fed. Cir. 1998) (unpublished); *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246 (4th Cir. 1994); *Am. Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983); *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

<sup>26</sup> See *Bluetooth SIG Inc. v. FCA US LLC*, 30 F.4th 870 (9th Cir. 2022) (per curiam); *Hamilton Int'l Ltd. v. Vortic LLC*, 13 F.4th 264 (2d Cir. 2021); *Otter Prods., LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066 (D. Colo. 2021), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022); *Cole-Parmer Instrument Co. v. Pro. Lab'ys*, 568 F. Supp. 3d 1307 (S.D. Fla. 2021); *Nestle USA, Inc. v. Best Foods LLC*, 562 F. Supp. 3d 626 (C.D. Cal. 2021); *Energizer Brands, LLC v. My Battery Supplier, LLC*, 529 F. Supp. 3d 57 (E.D.N.Y. 2021).

<sup>27</sup> See *Wreal, LLC v. Amazon.com, Inc.*, 38 F.4th 114 (11th Cir. 2022); *Lodestar Anstalt v. Bacardi & Co.*, 31 F.4th 1228 (9th Cir. 2022).

<sup>28</sup> See *Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. July 8, 2022); *Bonilla v.*

strategy by adult entertainment clubs and other businesses to promote their goods and services through unauthorized images of models and other celebrities.<sup>29</sup>

There were developments on the registration front as well, not the least of which was the Federal Circuit's holding that Section 2(c) of the Act,<sup>30</sup> which ordinarily prohibits registration of any mark consisting or comprising "a name, portrait, or signature identifying a particular living individual except by his written consent,"<sup>31</sup> could not, under the First Amendment, prevent the registration of TRUMP TOO SMALL for shirts;<sup>32</sup> according to the court, the applicant's intent to reference the alleged smallness of the former president's genitalia and his policies gave the USPTO's refusal to register the applicant's mark at least a content-discriminatory (and possibly a viewpoint-discriminatory) effect.<sup>33</sup> The same court also dipped its toe into the Constitution's Appointments Clause<sup>34</sup> in rejecting a challenge to the installation of the judges on the Trademark Trial and Appeal Board, but only after confirming the Board's vulnerability to potentially purely political interference by the Director of the USPTO—a vulnerability mandated (for better or for worse) by the Clause itself.<sup>35</sup>

Otherwise, like those of the universe itself, the frontiers of the failure-to-function ground for refusal continued their inexorable expansion,<sup>36</sup> including in an opinion from the Federal Circuit that invoked the specter of the little-known (and ill-defined) doctrine of administrative estoppel as an additional potential basis for rejecting applications.<sup>37</sup> The Board also continued to display a skeptical attitude toward the registrability of nontraditional marks by invoking more traditional grounds than failure to function for

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Ancestry.com Operations Inc., 574 F. Supp. 3d 582 (N.D. Ill. 2021); *Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022); *Knapke v. PeopleConnect Inc.*, 553 F. Supp. 3d 865 (W.D. Wash. 2021), *vacated*, 38 F.4th 824 (9th Cir. 2022); *Lukis v. Whitepages Inc.*, 549 F. Supp. 3d 798, 804-05 (N.D. Ill. 2021).

<sup>29</sup> See *Champion v. Moda Operandi, Inc.*, 561 F. Supp. 3d 419 (S.D.N.Y. 2021); *Swedberg v. Goldfinger's S., Inc.*, 338 So. 3d 332 (Fla. Ct. App. 2022); *Canas v. Bay Ent., LLC*, 498 P.3d 1082 (Ariz. Ct. App. 2021); see also *AIX Specialty Ins. Co. v. Big Limo, Inc.*, 547 F. Supp. 3d 757 (S.D. Ohio 2021) (insurance coverage dispute arising from unauthorized uses of images of plaintiffs in underlying action).

<sup>30</sup> 15 U.S.C. § 1052(c) (2018).

<sup>31</sup> *Id.*

<sup>32</sup> See *In re Elster*, 26 F.4th 1328 (Fed. Cir. 2022), *petition for certiorari docketed sub nom. Vidal v. Elster*, No. 22-704 (U.S. Jan. 27, 2023).

<sup>33</sup> *Id.* at 1133.

<sup>34</sup> U.S. Const. art. II, § 2, cl. 2.

<sup>35</sup> See *Piano Factory Grp. v. Schiedmayer Celesta GmbH*, 11 F.4th 1363 (Fed. Cir. 2021).

<sup>36</sup> See *In re MDCM Prods., LLC*, 2022 U.S.P.Q.2d 227 (T.T.A.B. 2022); *In re Maugus Mfg., Inc.*, 2021 U.S.P.Q.2d 1100 (T.T.A.B. 2021).

<sup>37</sup> See *In re Vox Populi Registry Ltd.*, 25 F.4th 1348 (Fed. Cir. 2022).

rejecting applications to register them. Those grounds included the functionality and the lack of acquired and inherent distinctiveness of various pastel colors for “disposable pipette tips fitted with a customizable mounting shaft,”<sup>38</sup> the lack of acquired distinctiveness of a “cream” color for electronic guitar pickups,<sup>39</sup> and the genericness of a wooden Japanese-style clutch purse.<sup>40</sup>

Less expectedly in light of most of its reported opinions since the Federal Circuit’s 2009 opinion in *In re Bose Corp.*,<sup>41</sup> however, the Board took a markedly aggressive attitude to allegedly fraudulent filings in the USPTO. Not only did it reach an actual finding of fraud for only the second time since *Bose*,<sup>42</sup> it then took things one step further in a case<sup>43</sup> in which it found that a registrant had filed a fraudulent declaration of incontestability under Section 15 of the Act.<sup>44</sup> As a threshold matter, the Board resolved an issue that case law from both it and the Federal Circuit had long left open, namely, whether reckless disregard of the truth can constitute the required intent to deceive the USPTO. The Board concluded it can,<sup>45</sup> explaining that “[t]o find otherwise could encourage declarants to conclude that such disregard carries no consequence and they can fail to read documents they are signing without penalty.”<sup>46</sup> The Board next refused to excuse the signatory’s claimed ignorance of the significance of the declaration he had signed<sup>47</sup> before

<sup>38</sup> See *In re Integra Biosciences Corp.*, 2022 U.S.P.Q.2d 93 (T.T.A.B. 2022).

<sup>39</sup> See *In re Dimarzio, Inc.*, 2021 U.S.P.Q.2d 1191 (T.T.A.B. 2021).

<sup>40</sup> See *In re Jasmin Larian, LLC*, 2022 U.S.P.Q.2d 290 (T.T.A.B. 2022).

<sup>41</sup> 580 F.3d 1240 (Fed. Cir. 2009).

<sup>42</sup> See *Fuji Med. Instruments Mfg. Co. v. Am. Crocodile Int’l Grp.*, 2021 U.S.P.Q.2d 831 (T.T.A.B. 2021) (fraudulent claim of mark ownership).

<sup>43</sup> See *Chutter, Inc. v. Great Mgmt. Grp.*, 2021 U.S.P.Q.2d 1001 (T.T.A.B. 2021), *appeal docketed*, No. 22-1212 (Fed. Cir. Nov. 30, 2021).

<sup>44</sup> 15 U.S.C. § 1065 (2018).

<sup>45</sup> *Chutter*, 2021 U.S.P.Q.2d at \*20 (“A declarant is charged with knowing what is in the declaration being signed, and by failing to make an appropriate inquiry into the accuracy of the statements the declarant acts with a reckless disregard for the truth.”).

<sup>46</sup> *Id.*

<sup>47</sup> According to the Board:

Here, [the signatory] disregarded the contents of the Combined Declaration he attested to under 18 U.S.C. Section 1001, notwithstanding that at that time he did so he was not aware of the legal requirements for a Section 15 Declaration. He filed with the USPTO a Combined Declaration of Use and Incontestability, which included both the contents required for such and a supporting sworn declaration under 18 U.S.C. Section 1001, each of which contained a statement he knew was false; but he claimed he did not read the contents or supporting declaration closely enough to be aware the false statement was in the declaration. In other words, [the signatory] paid little, or no, attention to the document he was signing under oath and thereby disregarded the significance of the benefits he was obtaining for his client. By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, [the signatory] acted in reckless disregard for the truth; nor did he take

additionally faulting him for failing to investigate the accuracy of his averments before signing the declaration<sup>48</sup> and for not taking remedial action upon learning of the declaration's inaccuracy.<sup>49</sup> With the *ex parte* expungement mechanisms of the Trademark Modernization Act<sup>50</sup> now fully online and the possible expansion of the USPTO's administrative sanctions program in the works,<sup>51</sup> the message is clear: Accuracy in trademark-related filings is more important than at any point since 2009.

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any action to remedy the error once it was brought to his attention. [The signatory] was especially reckless because he was admittedly unfamiliar with the requirements for filing a Section 15 Declaration.

*Id.* at \*19 (footnote omitted).

<sup>48</sup> *Id.* at \*21.

<sup>49</sup> *Id.* at \*25-26.

<sup>50</sup> 15 U.S.C. §§ 1066a & 1066b (Supp. III 2021).

<sup>51</sup> *See* Trademarks Administrative Sanctions Process, 87 Fed. Reg. 431 (Jan. 5, 2022).

## PART I. EX PARTE CASES

*By John L. Welch\**

### *A. United States Court of Appeals for the Federal Circuit*

#### 1. Section 2(c) Consent to Register

*In re Elster*

The Lanham Act took another hit in this appeal to the U.S. Court of Appeals for the Federal Circuit (“CAFC”) from the Trademark Trial and Appeal Board (“TTAB”) decision upholding a Section 2(c) refusal of the mark TRUMP TOO SMALL for shirts. The Board found that the mark “comprises the name of (former) President Donald Trump without his written consent” and it rejected Applicant Steve Elster’s First Amendment challenge to the constitutionality of Section 2(c).<sup>1</sup> The CAFC reversed, concluding that as applied here, Section 2(c) is unconstitutional because the government has no substantial interest in granting “all public figures the power to restrict trademarks constituting First Amendment expression before they occur.”<sup>2</sup>

Section 2(c), in pertinent part, bars registration of a mark that “[c]onsists of or comprises a name, portrait, or signature identifying a particular living individual except by his [*sic*] written consent . . . .”<sup>3</sup> The CAFC noted that the Supreme Court has, in the past five years, held unconstitutional two portions of Section 2(a) of the Lanham Act: In *Matal v. Tam*<sup>4</sup> the Court struck down the “disparagement” provision and in *Ianco v. Brunetti*<sup>5</sup> it axed the “immoral or scandalous” provision.

The two opinions in *Tam* and the majority opinion in *Brunetti* each relied on a “core postulate of free speech law”—that “[t]he government may not discriminate against speech based on the ideas or opinions it conveys”—and concluded that “[v]iewpoint discrimination doomed” the two provisions.<sup>6</sup>

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In the interest of full disclosure, the author notes the participation of his law firm in *adidas America, Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151 (S.D.N.Y. 2022) (counsel for defendant).

<sup>1</sup> *In re Elster*, Serial No. 87749230 (T.T.A.B. July 20, 2020), slip at \*11.

<sup>2</sup> *In re Elster*, 26 F.4th 1328, 2022 U.S.P.Q.2d 195, at \*10 (Fed. Cir. 2022).

<sup>3</sup> Section 2(c) of the Lanham Act, 15 U.S.C. § 1052(c).

<sup>4</sup> *Matal v. Tam*, 137 S. Ct. 1744, 122 U.S.P.Q.2d 1757 (2017).

<sup>5</sup> *Ianco v. Brunetti*, 139 S. Ct. 2294, 2019 U.S.P.Q.2d 232043 (2019).

<sup>6</sup> *Elster*, 2022 U.S.P.Q.2d 195, at \*2, quoting *Brunetti*, 139 S. Ct. at 2299.

However, neither of those cases resolved the constitutionality issue presented here because both holdings were “carefully cabined to the narrow, ‘presumptive[ ] unconstitutional[ity] of section 2(a)’s viewpoint-based restrictions.”<sup>7</sup> The Section 2(c) restriction involves content-based discrimination.

The Supreme Court in *Tam* and *Brunetti* established that a trademark “represents ‘private, not government, speech’ entitled to some form of First Amendment protection.”<sup>8</sup> Trademarks frequently “have an expressive content” and can convey “powerful messages . . . in just a few words.”<sup>9</sup> *Brunetti* further established that denying a term the benefits of registration “disfavors” the speech being regulated.<sup>10</sup>

We recognize, as the government contends, that section 2(c) does not prevent Elster from communicating his message outright. But whether Elster is free to communicate his message without the benefit of trademark registration is not the relevant inquiry—it is whether section 2(c) can legally disadvantage the speech at issue here.<sup>11</sup>

Elster asserted that he sought to invoke “a memorable exchange between President Trump and Senator Marco Rubio from a 2016 presidential primary debate, and aim[ed] to ‘convey[ ] that some features of President Trump and his policies are diminutive.’”<sup>12</sup> The CAFC observed that Elster’s mark is speech by a private party “in a context in which controversial speech is part-and-parcel of the traditional trademark function, as the Supreme Court decisions in *Tam* and *Brunetti* attest.”<sup>13</sup>

Speech does not lose its First Amendment protection because it is sold rather than given away, nor is speech entitled to lesser protection because it is printed on a t-shirt. Putting aside whether strict scrutiny or intermediate scrutiny applies to trademarks, the CAFC observed that “there must be at least a substantial government interest in the restriction.”<sup>14</sup> The court proceeded to weigh the competing interests.

The First Amendment interests are “undoubtedly substantial,” since a major purpose of the First Amendment was and is “to protect the free discussion of governmental affairs.”<sup>15</sup> The “fullest and most

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<sup>7</sup> *Id.* at \*3.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*, quoting *Tam*, 137 S. Ct. at 1760. See *Brunetti*, 139 S. Ct. at 2299.

<sup>10</sup> *Id.*, citing *Brunetti*, 139 S. Ct. at 2297, 2300.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at \*1.

<sup>13</sup> *Id.* at \*4.

<sup>14</sup> *Id.* at \*5.

<sup>15</sup> *Id.* The court noted that under strict scrutiny, the restriction must be “narrowly tailored to serve compelling state interests,” quoting *Reed v. Town of Gilbert*, 576 U.S. 155, 163

urgent application” of the First Amendment is to speech concerning public officials.<sup>16</sup> The USPTO, however, asserted that those interests are outweighed by the government’s substantial interest in protecting state-law privacy and publicity rights.

The CAFC saw no plausible claim that former president Trump enjoys a right of privacy protecting him from criticism, absent actual malice: the government has “no legitimate interest in protecting the privacy of President Trump, ‘the least private name in American life,’” from injury to his “personal feelings” caused by Elster’s political criticism.<sup>17</sup>

As to the right of publicity, there was no claim that former president Trump’s name is being misappropriated in a manner that exploits his commercial interests or dilutes the commercial value of his name or of any form of intellectual property. Nor could a plausible claim be made that the mark suggests endorsement by Trump (registration would be barred by the false association provision of Section 2(a)<sup>18</sup> anyway). Moreover, the Restatement of Unfair Competition states that right of publicity claims are “fundamentally constrained by the public and constitutional interest in freedom of expression” such that “use of a person’s identity primarily for the purpose of communicating information or expressing ideas is not generally actionable as a violation of the person’s right of publicity.”<sup>19</sup> The CAFC concluded that:

The government has no valid publicity interest that could overcome the First Amendment protections afforded to the political criticism embodied in Elster’s mark. As a result of the President’s status as a public official, and because Elster’s mark communicates his disagreement with and criticism of the then-President’s approach to governance, the government has no interest in disadvantaging Elster’s speech. \*\*\* The PTO’s refusal to register Elster’s mark cannot be sustained because the government does not have a privacy or publicity interest in restricting speech critical of government officials or public figures in the trademark

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(2015). Under intermediate scrutiny, “the restriction must ‘directly advance[.]’ a ‘substantial’ government interest” quoting *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 566 (1980).

<sup>16</sup> *Id.* at \*6.

<sup>17</sup> *Id.* at \*7.

<sup>18</sup> Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), in pertinent part, bars registration of a mark that “[c]onsists of or comprises . . . matter which may . . . falsely suggest a connection with persons, living or dead . . . .”

<sup>19</sup> *Elster*, 2022 U.S.P.Q.2d 195, at \*8, quoting Restatement (Third) of Unfair Competition § 47 (1995).

context—at least absent actual malice, which is not alleged here.<sup>20</sup>

Although the CAFC’s decision involved only an as-applied argument regarding the constitutionality of Section 2(c), the CAFC observed that there are concerns with the “overbreadth” of that provision.

It may be that a substantial number of section 2(c)’s applications would be unconstitutional. The statute leaves the PTO no discretion to exempt trademarks that advance parody, criticism, commentary on matters of public importance, artistic transformation, or any other First Amendment interests. It effectively grants all public figures the power to restrict trademarks constituting First Amendment expression before they occur.”<sup>21</sup>

The CAFC therefore reversed the Board’s decision, “reserv[ing] the overbreadth issue for another day.”<sup>22</sup>

## 2. Failure-to-Function

### *In re Vox Populi Registry Ltd.*

In October 2020, the Trademark Trial and Appeal Board upheld failure-to-function refusals of the term “.SUCKS,” in standard character and in stylized form (shown below), for domain registry services related to the generic top-level domain (“gTLD”) in the proposed marks.<sup>23</sup> Applicant Vox Populi appealed to the CAFC only with respect to the refusal of the stylized mark, arguing that the stylization makes the proposed mark registrable. The court, however, found no error in the Board’s conclusion that the stylized form of “.SUCKS” fails to create a commercial impression separate from the unregistrable term “.SUCKS,” and so it affirmed the Board’s ruling.<sup>24</sup>



Vox Populi did not challenge the Board’s conclusion that the standard character mark .SUCKS “will not be perceived as a source identifier” but instead “will be perceived merely as one of many

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<sup>20</sup> *Id.* at \*9-10.

<sup>21</sup> *Id.* at \*10.

<sup>22</sup> *Id.*

<sup>23</sup> *In re Vox Populi Registry Ltd.*, 2020 U.S.P.Q.2d 11289 (T.T.A.B. 2020).

<sup>24</sup> *In re Vox Populi Registry Ltd.*, 25 F.4th 1348, 2022 U.S.P.Q.2d 115 (Fed. Cir. 2022).



gTLDs that are used in domain names.”<sup>25</sup> Vox did contest the ruling regarding what it called its “‘retro,’ pixelated font mark.”<sup>26</sup> The Board found that “the stylized lettering or design element in the mark does not create a separate commercial impression and is not sufficiently distinctive to ‘carry’ the overall mark into registrability.”<sup>27</sup>

The court noted that it has had “limited occasion” to address the failure-to-function issue, but TTAB cases “provide helpful additional detail on source identifiers.”<sup>28</sup> The Board focuses on consumer perception and looks to the specimens of use and marketplace evidence to determine “how the designation would be perceived by the relevant public.”<sup>29</sup> Certain categories of proposed marks fail to function as source identifiers: e.g., informational messages or general information about the goods or services.<sup>30</sup>

Although Vox did not appeal from the refusal of the standard character mark, it raised the issue of distinctiveness of .SUCKS in its opening brief. The court, however, found that substantial evidence supported the Board’s finding that “consumers will view [the standard character mark .SUCKS] as only a non-source identifying part of a domain name, rather than as a mark.”<sup>31</sup>

The question, then, was whether the stylization of the stylized form rendered that mark registrable. “Design or stylization may make an otherwise unregistrable mark registrable if the features ‘create an impression on the purchasers separate and apart from the impression made by the words themselves.’”<sup>32</sup> The court observed that resolving this issue requires a subjective determination “based on a viewer’s first impression.”<sup>33</sup>

The court cited several well-known TTAB decisions as examples—stylized versions of CONSTRUCT-A-CLOSET

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<sup>25</sup> *Id.* at \*2.

<sup>26</sup> *Id.*

<sup>27</sup> *Vox Populi*, 2020 U.S.P.Q.2d 11289, at \*9.

<sup>28</sup> *Vox Populi*, 2022 U.S.P.Q.2d 115, at \*2.

<sup>29</sup> *Id.* at \*3, quoting *In re Eagle Crest Inc.*, 96 U.S.P.Q.2d 1227, 1229 (T.T.A.B. 2010).

<sup>30</sup> *Id.* Trademark Manual of Examining Procedure (“TMEP”) § 1202.04; *See, e.g.*, *D.C. One Wholesaler, Inc. v. Chien*, 120 U.S.P.Q.2d 1710, 1716 (T.T.A.B. 2016) (affirming refusal to register **I♥DC** for bags, clothing, and plush toys because “the nature of the phrase will be perceived as informational” and “the ubiquity of the phrase . . . on apparel and other souvenirs of many makers has given it a significance as an expression of enthusiasm”).

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at \*4, quoting *In re Cordua Rests., Inc.*, 823 F.3d 594, 606 (Fed. Cir. 2016).

<sup>33</sup> *Id.*, quoting *In re Sadoru Grp. Ltd.*, 105 U.S.P.Q.2d 1484, 1486 (T.T.A.B. 2012).

(registrable),<sup>34</sup> JACKSON HOLE (registrable),<sup>35</sup> BUNDT (unregistrable),<sup>36</sup> and SATORU (unregistrable)<sup>37</sup>—and then concluded that the Board did not err in ruling that the stylized form of .SUCKS fails to create a separate commercial impression.

The Board noted that “in the stylized form of .SUCKS, [a]ll of the characters in the applicant’s mark are the same height and width and are merely displayed in a font style that was once mandated by the technological limitations of computer screens.”<sup>38</sup>

The CAFC observed that Vox did not make a claim of acquired distinctiveness, and noted that the .SUCKS stylized version may be registrable “if it can be shown . . . that the particular display which the applicant has adopted has acquired distinctiveness.”<sup>39</sup>


## *B. Trademark Trial and Appeal Board*


### 1. Section 2(a) False Suggestion of a Connection

#### *In re International Watchman, Inc.*

Does the mark NATO for tents falsely suggest a connection with the North Atlantic Treaty Organization? The Board said yes in affirming a Section 2(a) refusal to register NATO as a trademark for “canopies comprised primarily of tensile fabric membranes; canopies of textile or synthetic materials; tents; tents made of textile materials; canvas canopies.”<sup>40</sup> Because “military personnel are housed in tents, and third-party specialty retailers advertising the goods for sale tout the quality of these products used by NATO forces,” the Board concluded that the applicant’s tents “are the type of items consumers would associate with the military,” and thus with the Treaty Organization.<sup>41</sup>

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<sup>34</sup> *In re Clutter Control Inc.*, 231 U.S.P.Q. 588, 589 (T.T.A.B. 1986) (finding that  created a “striking commercial impression” due to the “tubelike rendition of the letter ‘C’ in the words”).

<sup>35</sup> *In re Jackson Hole Ski Corp.*, 190 U.S.P.Q. 175, 176 (T.T.A.B. 1976) (finding that  created a separate impression due to the initial letters’ sizing and positioning).

<sup>36</sup> *In re Northland Aluminum Prods., Inc.*, 777 F.2d 1556, 1560-61 (Fed. Cir. 1985) (finding **Bundt** unregistrable for ring cake mix).

<sup>37</sup> *Sadoru*, 105 U.S.P.Q.2d at 1489 (refusing registration of **SADORU**, a stylized version of “sadoru” (the Japanese word for “saddle”) for motorcycle parts and accessories, observing that the proposed mark appeared to be “more in the nature of slightly stylized block lettering” than Japanese calligraphy and that “although the tops of the letters ‘dip’ to give the upper portion of the mark a slightly concave shape, the depression is so minimal that it is not likely to make a significant impression on consumers.”).

<sup>38</sup> *Vox Populi*, 2022 U.S.P.Q.2d 115, at \*5, quoting *In re Vox Populi Registry Ltd.*, 2020 U.S.P.Q.2d 11289, at \*9.

<sup>39</sup> *Id.* at \*5 n.3, quoting *Cordua*, 823 F.3d at 606.

<sup>40</sup> *In re International Watchman, Inc.*, 2021 U.S.P.Q.2d 1171 (T.T.A.B. 2021).

<sup>41</sup> *Id.* at \*28.

Section 2(a), in pertinent part, bars registration of a mark that “consists of or comprises . . . matter which may . . . falsely suggest a connection with . . . institutions . . . .”<sup>42</sup> The Board first determined that the North Atlantic Treaty Organization qualifies as an “institution” for purposes of this provision.

As an intergovernmental organization and military alliance, the North Atlantic Treaty Organization is an “institution” as contemplated under Section 2(a). *See In re N. Am. Free Trade Ass’n*, 43 U.S.P.Q.2d 1282, 1285-86 (T.T.A.B. 1997) (finding that the “NAFTA is an institution, in the same way that the United Nations is an institution . . . .”). And while Applicant may be right that the North Atlantic Treaty Organization is not a “juristic person” capable of being sued, this does not diminish its status as an “institution” within the meaning of the statute.<sup>43</sup>

Next, the Board applied the four-part test articulated in *University of Notre Dame du Lac v. J.C. Gourmet Food Imports Co.*:

To establish that a proposed mark falsely suggests a connection with a person or an institution, it must be shown 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.<sup>44</sup>

As to the first element, in view of the “pervasive use of NATO in a variety of sources as shorthand for ‘North Atlantic Treaty Organization,’” the Board had no trouble finding that NATO is “the same as or a close approximation of the name or identity previously used” by the Treaty Organization.<sup>45</sup>

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<sup>42</sup> 15 U.S.C. § 1052(a).

<sup>43</sup> *International Watchman*, 2021 U.S.P.Q.2d 1171, at \*11.

<sup>44</sup> *Id.* at \*11-12, citing, *inter alia*, *In re Pedersen*, 109 U.S.P.Q.2d 1185, 1188 (T.T.A.B. 2013); *Piano Factory Grp., Inc. v. Schiedmayer Celesta GmbH*, 11 F.4th 1363, 2021 U.S.P.Q.2d 913, at \*11 (Fed. Cir. 2021); *The U.S. Olympic Comm. v. Tempting Brands Netherlands B.V.*, 2021 U.S.P.Q.2d 164, at \*17-18 (T.T.A.B. 2021).

<sup>45</sup> *Id.* at \*18.

As to the second element, evidence showed that NATO points uniquely and unmistakably to the Treaty Organization. NATO has been widely used as an acronym for the Organization since its inception following World War II. None of the dictionary references of record included alternative meanings, and media references showed extensive use of the term “NATO” without any mention of the full name, “North Atlantic Treaty Organization.”

As to the third element, the applicant admitted that the Treaty Organization has no connection with the identified goods.

Finally, as to the fourth element, the Board observed that it is not necessary that the institution at issue actually provides the goods in question, or that the reputation of the institution be closely related to the applicant’s goods.

As long as an applicant’s goods are of a type that consumers would associate in some fashion with the named person or institution, and the named party is sufficiently famous, then it may be inferred that purchasers of the goods or services would be misled into making a false connection of sponsorship, approval, support or the like with the named party.<sup>46</sup>

Since military personnel are housed in tents, and third-party retailers tout the quality of these products used by NATO forces, the Board concluded that the applicant’s tents are the type of goods that consumers would associate with the military. And since NATO is a military alliance with active-duty soldiers, consumers would associate these goods with NATO.

Finally, the Board pointed out that a false suggestion of a connection under Section 2(a) may be found as to an entire class on the basis of any one item listed within the identification of goods in that class.<sup>47</sup>

And so, the Board affirmed the refusal to register.<sup>48</sup>

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<sup>46</sup> *Id.* at \*25. *See, e.g., In re Nieves & Nieves*, 113 U.S.P.Q.2d 1639, 1647-48 (T.T.A.B. 2015); *In re Cotter & Co.*, 228 U.S.P.Q. 202, 204-05 (T.T.A.B. 1985).

<sup>47</sup> *Id.* at \*23. *See Piano Factory*, 2021 U.S.P.Q.2d 913, at \*14-15.

<sup>48</sup> On the same day that the Board handed down this decision, it also issued non-precedential decisions in five other appeals filed by this applicant, all for the proposed mark NATO. The Board affirmed Section 2(a) false connection refusals of NATO for “Metal caps for bottles; Metal bottle caps; Bottle caps of metal; Metal dog tags” (Serial No. 87302891) and for “Flashlights; LED flashlights; LED flashlights; LED flashlights; Tactical flashlights” (Serial No. 87302892), but reversed refusals for “Decals; Pens” (Serial No. 87270077), for “Lip balm; Sunscreen preparations” (Serial No. 87418153), and for “Nutritional supplement energy bars; Nutritional supplement meal replacement bars for boosting energy” (Serial No. 87418156).” In each of the reversals, the Board stated, “[p]erhaps on a more developed record, we would have found otherwise.”

## 2. Section 2(d) Likelihood of Confusion

### *In re Dare Foods Inc.*

Finding that the USPTO failed to give sufficient probative weight to a consent and coexistence agreement between the applicant and the cited registrant, the Board reversed a Section 2(d) refusal of the mark RAINCOAST DIP for “snack food dips” [DIP disclaimed], finding confusion unlikely with the registered mark RAINCOAST TRADING for seafood products [TRADING disclaimed].<sup>49</sup> The Board observed that the *DuPont* decision<sup>50</sup> and its progeny have guided it to “consistently show great deference to consent agreements that detail the arrangements undertaken to avoid confusion.”<sup>51</sup>

Based on website evidence, the Board found that the involved goods are related because “it is not uncommon for snack food dips as well as seafood and seafood snacks to emanate from the same source” under the same mark.<sup>52</sup> This same evidence showed that the involved goods are offered in common channels of trade to overlapping customers. And the Board found the marks to be more similar than dissimilar in appearance, sound, and “particularly connotation and commercial impression.”<sup>53</sup>

Turning to the tenth *DuPont* factor,<sup>54</sup> which concerns the market interface between the applicant and registrant, the Board reviewed a 2013 agreement between the parties’ predecessors. In weighing the probative value of a consent agreement, the Board’s assessment includes the following:

- (1) Whether the consent shows an agreement between both parties;
- (2) Whether the agreement includes a clear indication that the goods or services travel in separate trade channels;

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<sup>49</sup> *In re Dare Foods Inc.*, 2022 U.S.P.Q.2d 291 (T.T.A.B. 2022).

<sup>50</sup> *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

<sup>51</sup> *Dare Foods*, 2022 U.S.P.Q.2d 291, at \*15.

<sup>52</sup> *Id.* at \*7.

<sup>53</sup> *Id.* at \*11.

<sup>54</sup> The tenth *DuPont* factor requires consideration of:

The market interface between applicant and the owner of a prior mark:

(a) a mere “consent” to register or use.

(b) agreement provisions designed to preclude confusion, i.e., limitations on continued use of the marks by each party.

(c) assignment of mark, application, registration and good will of the related business.

(d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.

177 U.S.P.Q. at 567.

- (3) Whether the parties agree to restrict their fields of use;
- (4) Whether the parties will make efforts to prevent confusion, and cooperate and take steps to avoid any confusion that may arise in the future; and
- (5) Whether the marks have been used for a period of time without evidence of actual confusion.<sup>55</sup>

In *DuPont*, the “seminal case on consent agreements, the [CCPA] cautioned that while ‘a naked “consent” may carry little weight,’ ‘substantial’ weight should be accorded to ‘more detailed agreements.’”<sup>56</sup> The details are what “lend substance and probative value to a consent agreement.”<sup>57</sup> The CCPA further observed:

[W]hen those most familiar with use in the marketplace and most interested in precluding confusion enter agreements designed to avoid it, the scales of evidence are clearly tilted. It is at least difficult to maintain a subjective view that confusion will occur when those directly concerned say it won’t. A mere assumption that confusion is likely will rarely prevail against uncontroverted evidence from those on the firing line that it is not.<sup>58</sup>

Here, the applicant and the registrant entered into a detailed coexistence agreement to use and register. The basis for the agreement as to lack of confusion was (not surprisingly) the differences between the marks and the goods. The parties stated that they were unaware of any incidents of actual confusion, and they agreed to cooperate in steps to avoid confusion. Moreover, the same consent agreement was found persuasive by the USPTO in several of the applicant’s prior applications for RAINCOAST-formative marks.

The consent agreement in this appeal constitutes more than a mere naked consent and, therefore, plays a more dominant role in the likelihood of confusion analysis. *Four Seasons Hotels*, 26 U.S.P.Q.2d at 1073; *DuPont*, 177 U.S.P.Q. at 568. The Agreement does not discuss all of the factors relevant to consent agreements discussed in *Four Seasons Hotels* and other decisions. However, we are aware of no authority

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<sup>55</sup> *Dare Foods*, 2022 U.S.P.Q.2d 291, at \*12. See generally *In re Four Seasons Hotels Ltd.*, 987 F.2d 156, 26 U.S.P.Q.2d 1071, 1074 (Fed. Cir. 1993); *In re Mastic Inc.*, 829 F.2d 1114, 4 U.S.P.Q.2d 1292, 1117-18 (Fed. Cir. 1987); *DuPont*, 177 U.S.P.Q. 568; cf. *Bongrain Int’l Corp. v. Delice de Fr., Inc.*, 811 F.2d 1479, 1 U.S.P.Q.2d 1775, 1778-79 (Fed. Cir. 1987).

<sup>56</sup> *Id.* at \*15.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at \*20, quoting *DuPont*, 177 U.S.P.Q. at 568.

requiring a consent agreement to discuss all of these factors in order to be probative.<sup>59</sup>

### 3. Section 2(e)(1) Mere Descriptiveness

#### *In re Taverna Izakaya LLC*

Because the ordinary American purchaser would not stop and translate a mark comprising words from different languages, the TTAB declined to apply the doctrine of foreign equivalents in this reversal of a Section 2(e)(1)<sup>60</sup> mere descriptiveness refusal of TAVERNA COSTERA for “restaurant, cafe, and bar services.”<sup>61</sup> The Board found that the mark, at most, suggests a “fusion” of cuisines.<sup>62</sup> However, since TAVERNA is a recognized word in the English language, referring to a type of restaurant, disclaimer of that word was required.

The examining attorney contended that TAVERNA COSTERA translates to “coastal tavern,” and the applicant did not dispute the descriptiveness of that English term for restaurant services. Instead, the applicant maintained that the mark should not be translated under the doctrine of foreign equivalents because consumers would take the mark “as it is” rather than translate it.<sup>63</sup> Because the first word is understood in English, the applicant argued, it is “exceedingly likely” that the average consumer would not stop to translate COSTERA, “particularly since the Spanish word COSTERA is pronounceable in English.”<sup>64</sup> The Board agreed: “Given that ordinary consumers would recognize the first word in Applicant’s mark not only as an English word—but one that connotes a Greek café and Greek cuisine—those consumers would not be inclined to stop and translate the next word in the mark from Spanish.”<sup>65</sup>

The Board observed that courts and the TTAB have frequently ruled that consumers would not “stop and translate” marks composed of terms in multiple languages, “often finding that the marks combine the different languages for suggestive purposes to

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<sup>59</sup> *Id.* at \*19.

<sup>60</sup> Section 2(e)(1) of the Lanham Act, 15 U.S.C. § 1052(e)(1), in pertinent part, bars registration of a mark that “when used on or in connection with the goods of the applicant is merely descriptive . . . of them.”

<sup>61</sup> *In re Taverna Izakaya LLC*, 2021 U.S.P.Q.2d 1134 (T.T.A.B. 2021).

<sup>62</sup> *Id.* at \*11.

<sup>63</sup> *See Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 73 U.S.P.Q.2d 1689, 1696 (Fed. Cir. 2005) (“When it is unlikely that an American buyer will translate [a] foreign mark and will take it as it is, then the doctrine of foreign equivalents will not be applied.”).

<sup>64</sup> *Taverna Izakaya*, 2021 U.S.P.Q.2d 1134, at \*9.

<sup>65</sup> *Id.* at \*10.

create a certain commercial impression”:<sup>66</sup> for example, LE CASE for jewelry boxes<sup>67</sup> and GLACÉ LITE for ice cream products.<sup>68</sup>

The Board noted that the subject application includes a statement in the “Translation” field<sup>69</sup> that “[t]he English translation of TAVERNA COSTERA in the mark is COASTAL TAVERN,” as well as a “Miscellaneous Statement” that “the word TAVERNA is Greek and Italian, while the word COSTERA is Spanish.”<sup>70</sup> Not to worry.

The record makes clear that the application’s “translation” statement is not in fact a literal and direct “translation,” as commonly understood, from a particular foreign language into English; rather, it is an attempt to fit the square peg of a multi-language mark into the round hole of the “translation” in the application form.<sup>71</sup>

The Board therefore reversed the refusal to register but required the applicant to disclaim the descriptive English term “taverna.”

#### 4. Section 2(e)(3) Primarily Geographically Deceptively Misdescriptive

##### *In re Jonathan Sibony*

We all know that London is a geographic place, right? What about the mark REPUBLIC OF LONDON? Does it primarily signify a geographic place when used as a trademark for clothing? Would you think the clothing originated in London? The Board didn’t think so.

The USPTO refused registration of the mark REPUBLIC OF LONDON for shirts, pants, and other clothing items, under Section 2(e)(3)<sup>72</sup> of the Lanham Act, deeming the mark to be primarily geographically deceptively misdescriptive. Applicant Jonathan Sibony acknowledged that the goods do not originate in London, but

<sup>66</sup> *Id.*

<sup>67</sup> *In re Universal Package Corp.*, 222 U.S.P.Q. 344, 347 (T.T.A.B. 1984) (“[h]ere only one of the two components is foreign. Translation of an entire compound word mark is more likely to take place in the marketplace than is the translation of only part of the mark.”).

<sup>68</sup> *In re Sweet Victory, Inc.*, 228 U.S.P.Q. 959, 960-61 (T.T.A.B. 1986) (“the combination of a foreign word ‘GLACÉ’ and the English word ‘LITE’ is not merely descriptive under Section 2(e)(1) ‘because “the juxtaposition of the French word ‘GLACÉ’ with the English word ‘LITE’ changes the commercial impression of the mark.”

<sup>69</sup> Trademark Rule 2.32(a)(9), 37 C.F.R. § 2.32(a)(9) states that a trademark or service mark application must be in English and “[i]f the mark includes non-English wording” it must include “an English translation of that wording.”

<sup>70</sup> *Taverna Izakaya*, 2021 U.S.P.Q.2d 1134, at \*2.

<sup>71</sup> *Id.* at \*10.

<sup>72</sup> Section 2(e)(3) of the Lanham Act, 15 U.S.C. § 1052(e)(3), bars registration of a mark that “when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them.”



argued that the primary significance of the mark is not a generally known geographic location because “there is no such place as the ‘Republic of London.’”<sup>73</sup>

In order to support a Section 2(e)(3) refusal, the USPTO must prove that:

- (1) the primary significance of the mark is a generally known geographic place or location;
- (2) the goods for which applicant seeks registration do not originate in the geographic place identified in the mark;
- (3) purchasers would be likely to make a goods-place association; that is, purchasers would be likely to believe that the goods originate in the geographic place identified in the mark; and
- (4) the misrepresentation regarding the geographic origin of the goods would be a material factor for a significant portion of the relevant consumers deciding whether to buy the goods in question.<sup>74</sup>

The examining attorney conceded that “REPUBLIC OF LONDON, literally, is fictitious.”<sup>75</sup>

Third-party registrations for marks containing the word “LONDON,” submitted by the examining attorney and by Sibony, were of little relevance “for a number of reasons,” including the fact that many of the registrations were for products “far removed from the clothing products at issue.”<sup>76</sup> In any event, the Board pointed out once again that each case must be decided on its own record.<sup>77</sup>

The Board reviewed several of its prior decisions and found the mark in this case to be like PARIS BEACH CLUB<sup>78</sup> and MT. RAINIER THE MOUNTAIN OF SEATTLE ESPRESSO & MILK

<sup>73</sup> *In re Jonathan Sibony*, 2021 U.S.P.Q.2d 1036, at \*5 (T.T.A.B. 2021).

<sup>74</sup> *Id.* at \*3, quoting *In re Miracle Tuesday, LLC*, 695 F.3d 1339, 104 U.S.P.Q.2d 1330, 1332 (Fed. Cir. 2012) (citing *In re Cal. Innovations Inc.*, 329 F.3d 1334, 66 U.S.P.Q.2d 1853, 1858 (Fed. Cir. 2003)); *In re Les Halles De Paris J.V.*, 334 F.3d 1371, 67 U.S.P.Q.2d 1539, 1541 (Fed. Cir. 2003).

<sup>75</sup> *Id.* at \*5.

<sup>76</sup> *Id.* at 7. *Cf. In re i.am.symbolic, LLC*, 866 F.3d 1315, 123 U.S.P.Q.2d 1744, 1751 (Fed. Cir. 2017) (disregarding third-party registrations for other types of goods where the proffering party had neither proven nor explained that they were related to the goods of interest).

<sup>77</sup> *Id.* at 8. *See, e.g., In re Shinnecock Smoke Shop*, 571 F.3d 1171, 1174, 91 U.S.P.Q.2d 1218, 1221 (Fed. Cir. 2009) (“Applicant’s allegations regarding similar marks are irrelevant because each application must be considered on its own merits.”); *In re Nett Designs, Inc.*, 236 F.3d 1339, 1342, 57 U.S.P.Q.2d 1564, 1566 (Fed. Cir. 2001) (“Even if some prior registrations had some characteristics similar to Nett Designs’ application, the [US]PTO’s allowance of such prior registrations does not bind the [Trademark Trial and Appeal] Board or this court.”).

<sup>78</sup> *In re Sharky’s Drygoods Co.*, 23 U.S.P.Q.2d 1061, 1062-63 (T.T.A.B. 1992) (PARIS BEACH CLUB, applied to T-shirts and sweatshirts, was not deceptive under Section 2(a)).

and Design.<sup>79</sup> All three marks contain “additional textual matter taking the mark outside of the prohibition of Trademark Act Section 2(e)(3).”<sup>80</sup>

In the final analysis . . . the Examining Attorney submitted sufficient evidence that London is a generally known geographic place or location known for fashion and apparel manufacture. However, neither “LONDON” nor “the city of London” is the mark at issue. Rather, based on the evidence of record and the applicable authorities, REPUBLIC OF LONDON is a phrase referencing a fictitious place that does not exist, and the addition of “REPUBLIC OF” to “LONDON” shifts the primary significance of the mark away from LONDON proper. Applicant’s mark thus falls outside of the restrictions of Trademark Act Section 2(e)(3).<sup>81</sup>

### 5. Section 2(e)(4)—Primarily Merely a Surname

#### *In re Six Continents Ltd.*

Have you heard of anyone named “Atwell”? Me neither. The USPTO refused registration of the proposed mark ATWELL SUITES, in standard character and (slightly) stylized form, for various hotel-related services [SUITES disclaimed] on the ground that ATWELL SUITES is primarily merely a surname under Section 2(e)(4).<sup>82</sup> Applicant Six Continents’ survey evidence and the testimony of its linguistics expert missed the mark, but what about rareness? What about public exposure to the name? Does “Atwell” look and sound like a surname?<sup>83</sup>

The Board looked to the inquiries set forth in *Etablissements Darty et Fils* in considering the Section 2(e)(4) issue, noting that these inquiries are neither exclusive nor set forth in order of importance:

- Whether Atwell has a non-surname, “ordinary language” meaning;
- The extent to which Atwell is encountered as a surname;
- Whether Atwell is the surname of anyone connected with the applicant;

<sup>79</sup> *In re Morinaga Nyugyo K.K.*, 120 U.S.P.Q.2d 1738, 1748 (T.T.A.B. 2016) (MT. RAINIER THE MOUNTAIN OF SEATTLE ESPRESSO & MILK and Design not primarily geographically deceptively misdescriptive of espresso beverages and espresso-flavored sandwiches.)

<sup>80</sup> *Sibony*, 2021 U.S.P.Q.2d 1036, at \*12.

<sup>81</sup> *Id.* at \*12-13.

<sup>82</sup> Section 2(e)(4) of the Lanham Act, 15 U.S.C. § 1052(e)(4), bars registration of a mark that is “primarily merely a surname.”

<sup>83</sup> *In re Six Continents Ltd.*, 2022 U.S.P.Q.2d 135 (T.T.A.B. 2022).

- Whether the public may perceive Atwell, in the alternative, to be primarily a meaningless, coined term; and
- Whether Atwell has the structure and pronunciation of a surname.<sup>84</sup>

The Board's analysis proceeded "from the perspective of the purchasing public because 'it is that impact or impression which should be evaluated in determining whether or not the primary significance of a word when applied to a product is a surname significance.'"<sup>85</sup> When the mark comprises a surname and another term, the Board must determine whether the added term alters the primary significance of the mark as a whole.<sup>86</sup>

The examining attorney submitted excerpts from the LexisNexis surname database, a Wikipedia page for the "Atwell" surname listing eighteen purportedly "notable" people, and Internet website excerpts referring to people named "Atwell," including British actress Hayley Atwell, who has "achieved considerable renown" by appearing in the Marvel Comics *Captain America* and *Avengers* movie series.<sup>87</sup>

As to any non-surname meaning of "Atwell," Six Continents' expert opined, without evidence, that the word has a "metaphorical meaning akin to AT A GOOD PLACE."<sup>88</sup> The Board, however, found that "Atwell" has no non-surname meaning, a factor that supported the refusal to register. There also was no evidence that anyone named "Atwell" is associated with the applicant, a neutral factor.

The question of whether "Atwell" has the structure and pronunciation of a surname is a "decidedly subjective" inquiry.<sup>89</sup> The examining attorney submitted website evidence regarding surnames with similar structures to "Atwell": for example, "Attwell" (with two "t"s), "Caldwell," "Adwell," "Farwell," "Attwood," and "Atkins." The Board observed that "on its face, 'Atwell' does not look like a coined word or an acronym, nor like anything else but a surname."<sup>90</sup>

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<sup>84</sup> *Id.* at \*5, citing *In re Etablissements Darty et Fils*, 759 F.2d 15, 225 U.S.P.Q. 652, 653-54 (Fed. Cir. 1985).

<sup>85</sup> *Id.* at \*6, quoting *In re Harris-Intertype Corp.*, 518 F.2d 629, 186 U.S.P.Q. 238, 239 (C.C.P.A. 1975).

<sup>86</sup> See *Earnhardt v. Kerry Earnhardt, Inc.*, 864 F.3d 1374, 123 U.S.P.Q.2d 1411, 1415 (Fed. Cir. 2017) (citing *In re Hutchinson Tech. Inc.*, 852 F.2d 552, 7 U.S.P.Q.2d 1490, 1492 (Fed. Cir. 1988)).

<sup>87</sup> *Six Continents*, 2022 U.S.P.Q.2d 135, at \*10.

<sup>88</sup> *Id.* at \*11.

<sup>89</sup> *Id.* at \*13, quoting *In re Benthin Mgmt. GmbH*, 37 U.S.P.Q.2d 1332, 1333 (T.T.A.B. 1995).

<sup>90</sup> *Id.* at \*17.

Six Continents' disclaimer of "suites" was a concession that the word is not inherently distinctive, and also a concession that ATWELL SUITES is not a unitary mark.<sup>91</sup> Furthermore, Six Continents provided no evidence that adding the descriptive word "suites" to "Atwell" alters the primary meaning of "Atwell." Therefore, the Board found that "the additional, disclaimed term 'suites' does not alter public perception of the mark as a whole as primarily merely a surname."<sup>92</sup>

In support of its contention that consumers will perceive ATWELL SUITES as something other than as a surname, Six Continents again pointed to the testimony of its linguistics expert, but the Board again pointed out the lack of evidentiary support for the assertion that "Atwell" refers to "a good place to rest."

Six Continents also relied on the results of a consumer survey purportedly showing that "consumers do not think that the primary meaning of the applied-for mark ATWELL SUITES is a surname."<sup>93</sup> The Board was unimpressed: "This is not surprising because consumers are unlikely to associate a surname combined with a descriptive term as being a surname, let alone primarily merely a surname (e.g., it is unlikely anyone perceives Atwell Suites, Barr Group,<sup>94</sup> or Earnhardt Collection<sup>95</sup> as actual surnames)."<sup>96</sup>

[T]he essence of these appeals is whether the combination of the descriptive word "Suites" with the surname Atwell diminishes the surname significance of "Atwell" such that the primary significance of ATWELL SUITES is other than as a surname. *Miller v. Miller*, 105 U.S.P.Q.2d 1615, 1622 (T.T.A.B. 2013). In other words, does the mark in its entirety engender a different commercial impression than the component parts of the mark (i.e., a surname and a descriptive term)? See *Earnhardt v. Kerry Earnhardt, Inc.*, 123 U.S.P.Q.2d at 1415 (citing *Hutchinson Tech.*, 7 U.S.P.Q.2d at 1492).<sup>97</sup>

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<sup>91</sup> See, e.g., *In re DNI Holdings Ltd.*, 77 U.S.P.Q.2d 1435, 1442 (T.T.A.B. 2005) ("it has long been held that the disclaimer of a term constitutes an admission of the merely descriptive nature of that term . . . at the time of the disclaimer.")

<sup>92</sup> *Six Continents*, 2022 U.S.P.Q.2d 135, at \*20.

<sup>93</sup> *Id.* at \*25.

<sup>94</sup> *In re Integrated Embedded*, 120 U.S.P.Q.2d 1504 (T.T.A.B. 2016) (BARR GROUP for engineering, training, and expert witness services in the field of computer hardware and software (GROUP disclaimed) found to be primarily merely a surname under Section 2(e)(4)).

<sup>95</sup> *Earnhardt v. Kerry Earnhardt*, 123 U.S.P.Q.2d at 1413 (CAFC vacated and remanded the Board's decision that found EARNHARDT COLLECTION not to be primarily merely a surname for furniture and home construction services. On remand, the Board reversed course and sustained Opposer Teresa H. Earnhardt's Section 2(e)(4) claims).

<sup>96</sup> *Six Continents*, 2022 U.S.P.Q.2d 135, at \*25-26.

<sup>97</sup> *Id.* at \*26-27.

The Board observed that the applicant's survey asked the wrong questions. Instead of asking "What is the primary meaning of ATWELL SUITES to you?," the survey should have asked "What is the primary meaning of the term 'ATWELL' in the mark ATWELL SUITES to you?"<sup>98</sup> The second question should have been "Which of the following, if any, do you associate with the term 'ATWELL' in the mark ATWELL SUITES?," followed by the list of choices.<sup>99</sup> Moreover, the structure of the survey questions were highly leading toward the response that Six Continents desired.

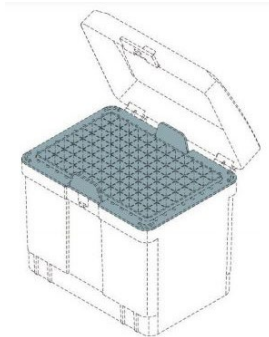
Finally, Six Continents pointed to the issuance of its existing registration for ATWELL SUITES AN IHG HOTEL & Design for the same services as identified here, as support for its position, but the Board deemed the prior registration irrelevant since that mark includes the inherently distinctive term "IHG."

And so, the Board affirmed the refusal.

## 6. Section 2(e)(5) Functionality

### *In re Integra Biosciences Corp.*

Color this applicant blue after the USPTO nixed its five applications to register various pastel colors (blue, green, orange, purple, and yellow) for "disposable pipette tips fitted with a customizable mounting shaft," finding that the proposed marks are not inherently distinctive, lack acquired distinctiveness under Section 2(f), and are functional under Section 2(e)(5). Although Applicant Integra's products have been commercially successful, it failed to prove that relevant consumers perceive the "Pastel Tints" as trademarks. Furthermore, the Pastel Tints are essential to the use of Integra's goods and therefore *de jure* functional, because they ensure that customers use the right tip with the right pipette.<sup>100</sup>



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<sup>98</sup> *Id.* at \*27.

<sup>99</sup> *Id.* In a footnote, the Board stated that even if the survey evidence were accepted at face value, it would not overcome the USPTO's *prima facie* case. *Id.* n.75.

<sup>100</sup> *In re Integra Biosciences Corp.*, 2022 U.S.P.Q.2d 93 (T.T.A.B. 2022).

Integra has been selling its disposable pipettes in pastel-colored rack inserts since 2007. It explained that each color is used as part of a “color-coding scheme” to coordinate pipettes and pipette tips to make sure that customers use the appropriate tip on a specific pipette. Each color represents a different size of pipette fitting.

**Product or Packaging?:** The Board first quickly addressed the question of whether Integra’s color marks are applied to the product or to the packaging, since “[c]olor can sometimes be inherently distinctive on product packaging, but it can never be inherently distinctive on a product itself.”<sup>101</sup> There was no dispute that Integra applies the purported marks to product packaging, i.e., rack inserts. The application drawings and the specimens of use “clearly depict the Pastel Tints applied to the packing inserts,” as described in the applications.<sup>102</sup>

**Inherently Distinctive?:** Although consumers “usually perceive color . . . as an ornamental feature of the goods,”<sup>103</sup> color on product packaging may be “inherently distinctive if ‘[its] intrinsic nature serves to identify a particular source.’”<sup>104</sup> The issue is whether the trade dress “makes such an impression on consumers that they will assume’ the trade dress is associated with a particular source.”<sup>105</sup> The Board found it to be common practice for manufacturers to use matching colors on pipette insert racks and pipette fittings in order to assist the user to associate a pipette tip of a particular size with the correct fitting. Integra’s use of its Pastel Tints is “simply a refinement of this commonly adopted practice” and therefore consumers will not inherently perceive those colors as source indicators.<sup>106</sup>

Integra argued that the Board must determine the issue as of the date of first use of the colors, or at least as of the application filing dates, because Integra was the first entity to use colors for these products. The Board disagreed: “[w]e render our decisions in ex parte appeals based on the evidentiary record established at the time we make our final decision.”<sup>107</sup>

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<sup>101</sup> *Id.* at \*18. *See, e.g., In re Forney Indus.*, 955 F.3d 940, 2020 U.S.P.Q.2d 10310, at \*3-5 (Fed. Cir. 2020).

<sup>102</sup> *Id.* For example, in the “blue” application (Serial No. 87/484450), the mark is described as consisting of “the color pastel blue . . . applied to the packaging for pipette tips, specifically on the rack inserts which are rectangular plastic trays having aligned rows and columns of vertical openings for holding an array of disposable pipette tips in a box or tub.”

<sup>103</sup> *Id.* at \*19.

<sup>104</sup> *Id.*, quoting *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 54 U.S.P.Q.2d 1065, 1068 (2000).

<sup>105</sup> *Id.* at \*20, quoting *Forney Indus.*, 2020 U.S.P.Q.2d 10310, at \*6.

<sup>106</sup> *Id.* at \*21.

<sup>107</sup> *Id.* at \*24. *See In re Air Filters, Inc.*, 183 U.S.P.Q. 767, 768 (T.T.A.B. 1974) (“[R]egistrability of a mark must be determined on the basis of facts as they exist at the time when the issue of registrability is under consideration.”) (quoting *In re Thunderbird*

Acquired Distinctiveness?: In determining whether the proposed marks have acquired distinctiveness, the Board applied the CAFC's *Converse* factors.<sup>108</sup> Integra relied on its alleged use of the colors since 2007 and its sale of more than 1.5 billion pipette tips using the Pastel Tints on the insert racks. However, Integra did not put these numbers in context: for example, it did not provide any information regarding its market share, number of customers, or frequency of use in an average laboratory. Nor did it provide any advertising figures or any proof of "look for" advertising. And there was no evidence of intentional copying and no evidence of media coverage.

The Board found Integra's evidence insufficient to meet its "heavy burden" to prove that consumers recognize the use of the Pastel Tints on insert racks as trademarks.<sup>109</sup>

Functionality?: A proposed product packaging mark is functional under Section 2(e)(5) if it is "(1) 'essential to the use or purpose of the article,' or if it (2) 'affects the cost or quality of the article.'"<sup>110</sup> (referred to as the "*Inwood* test").

The Board found this case similar to *Kasco Corp. v. Southern Saw Serv. Inc.*,<sup>111</sup> in which it deemed functional "a green colored wrapper" for band saw blades for the meat cutting industry. The wrapper was part of a color-coding scheme allowing easy identification of the blade type and size. Competitors of Southern Saw likewise used colored wrappers to distinguish between their blade types.<sup>112</sup> Here, Integra conceded that the proposed color marks are part of a color-coding scheme, but argued that other colors are available to, and used by, competitors. However, Integra did not "refute that the Pastel Tints ensure that customers use the proper pipette tips on the respective pipettes and that the proper pipette tips are ordered when new ones are needed and, thus, are essential to the use of the pipette tips."<sup>113</sup> The Board pointed out that when the proposed mark is functional under the *Inwood* test, there is no need to consider competitive necessity.<sup>114</sup>

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Prods. Corp., 406 F.2d 1389, 160 U.S.P.Q. 730, 733 (C.C.P.A. 1969) (quoting *McCormick & Co. v. Summers*, 354 F.2d 668, 148 U.S.P.Q. 272, 2760 (C.C.P.A. 1966)).

<sup>108</sup> *Converse, Inc. v. ITC*, 909 F.3d 1110, 128 U.S.P.Q.2d 1538, 1546 (Fed. Cir. 2018). The factors are listed in Part I.B.7, below.

<sup>109</sup> *Integra Biosciences*, 2022 U.S.P.Q.2d 93, at \*33.

<sup>110</sup> *TraFFix Devices Inc. v. Mktg. Displays Inc.*, 532 U.S. 23, 58 U.S.P.Q.2d 1001, 1006 (2001) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 214 U.S.P.Q. 1, 4 n.10 (1982)).

<sup>111</sup> 27 U.S.P.Q.2d 1501 (T.T.A.B. 1993).

<sup>112</sup> Another color-coding scheme recently met a similar fate in *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174, 2021 U.S.P.Q.2d 195 (2d Cir. 2021) (finding color-coding system for dental mixing tips to be functional).

<sup>113</sup> *Integra Biosciences*, 2022 U.S.P.Q.2d 93, at \*40-41.

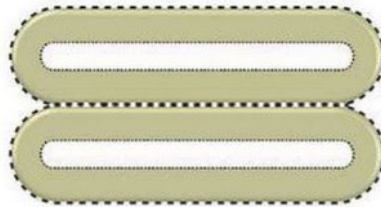
<sup>114</sup> *Id.* at \*41, citing *TraFFix Devices*, 58 U.S.P.Q.2d at 1006.

And so, the Board affirmed the Section 2(e)(5) refusal.<sup>115</sup>

## 7. Section 2(f) Acquired Distinctiveness

### *In re Dimarzio, Inc.*

A single color applied to a product is registrable as a trademark only upon a showing of acquired distinctiveness.<sup>116</sup> Applicant Dimarzio, Inc. failed to prove that its claimed color “cream” for electronic guitar pickups met that test, resulting in the Board’s affirmance of a refusal to register under Sections 1, 2, and 45 of the Lanham Act.<sup>117</sup> Among other deficiencies in Dimarzio’s evidence, the Board found that its use of the proposed mark was not substantially exclusive. The Board concluded that the mark had not acquired distinctiveness under Section 2(f).<sup>118</sup>



Pagination problem: Dimarzio led off with a sour note when the Board refused to consider its appeal brief because the brief exceeded the 25-page limit of Rule 2.142(b)(2). The examining attorney blew the whistle, pointing out that the brief was 16 pages long but not double-spaced as required by Rule 2.126(a)(1). The Board sustained

<sup>115</sup> It seems odd that the TTAB addressed the distinctiveness issue first. If the proposed mark is *de jure* functional under Section 2(e)(5), it cannot be distinctive, either inherently or under Section 2(f). Does this suggest that the Board was less sure of the functionality ruling?

<sup>116</sup> *Wal-Mart*, 54 U.S.P.Q.2d at 1066 (citing *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161 (1995)).

<sup>117</sup> 15 U.S.C. §§ 1051, 1052, and 1127. Sections 1 and 2 of the Lanham Act provide for registration of “trademark[s] by which the goods of the applicant may be distinguished from the goods of others.” Section 45 defines a “trademark” as something that identifies and distinguishes one person’s goods and services from those of others.

<sup>118</sup> *In re Dimarzio, Inc.*, 2021 U.S.P.Q.2d 1191 (T.T.A.B. 2021). Section 2(f) of the Lanham Act, 15 U.S.C. § 1052(f), provides in pertinent part: “Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.” Note that the statute does not expressly say that “substantially exclusive” use is required to prove acquired distinctiveness, but lack thereof is probative. *See, e.g.*, quoting *Milwaukee Elec. Tool Corp. v. Freud Am., Inc.*, 2019 U.S.P.Q.2d 460354, at \*25 (T.T.A.B. 2019). (“Milwaukee’s evidence showing use of the color red on saw blades by it and third parties is probative to establish that Freud’s use of the color red on reciprocating saw blades has not been substantially exclusive . . .”).



that objection, agreeing that the brief would have exceeded 25 pages if double-spaced (at 250 words per page). The Board, however, did consider Dimarzio's reply brief.

Applicable law: The substantive question at hand was simply whether relevant members of the public—consumers of guitar pickups—understand the primary significance of the proposed mark “as identifying the source of [the] goods rather than merely ornamenting them.”<sup>119</sup> The burden of proof to establish a prima facie case of acquired distinctiveness rests on the applicant.<sup>120</sup> In making the determination, the Board applied the CAFC's *Converse* factors:

- (1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys);
- (2) length, degree, and exclusivity of use;
- (3) amount and manner of advertising;
- (4) amount of sales and number of customers;
- (5) intentional copying; and
- (6) unsolicited media coverage of the product embodying the mark.<sup>121</sup>

Analysis: Although, as noted in *Converse*, consumer association is usually measured by means of surveys, Dimarzio did not offer a survey. Instead, it submitted “fill-in-the-blank”<sup>122</sup> declarations from eight different distributors and customers. The Board found them of little, if any, probative value. Aside from their small number, conclusory nature, and lack of identifying information, none of the declarations related to the proposed mark, the color cream. Similarly, Dimarzio's evidence of enforcement activity related to a product configuration mark with color, not color alone.

Dimarzio claimed use of the proposed mark since 1979, with millions of consumers observing its guitar pickups in videos, advertisements, and musical performances. The Board pointed out, however, that long-time use of a supposed mark does not establish that the use is substantially exclusive or that consumers perceive the supposed mark as a source indicator. In fact, the evidence showed that DiMarzio's use of the color cream on guitar pickups was not substantially exclusive.

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<sup>119</sup> *Id.* at \*6. See *Milwaukee Elec. Tool*, 2019 U.S.P.Q.2d 460354, at \*19 (in a case of an alleged color mark on a product, the question is whether the “primary significance of the . . . mark to the relevant public . . . is as a source-indicator” or simply as “ornamentation.”).

<sup>120</sup> See *Yamaha Int'l Corp. v. Hoshino Gakki Co. Ltd.*, 840 F.2d 1572, 6 U.S.P.Q.2d 1001, 1004 (Fed. Cir. 1988).

<sup>121</sup> *Converse*, 128 U.S.P.Q.2d at 1546.

<sup>122</sup> *Dimarzio*, 2021 U.S.P.Q.2d 1191, at \*9.

Dimarzio contended that the competitive products were the wrong shade of cream, but the color cream was not narrowly defined in its application to register.

As Applicant points out, it did not use a commercial color identification system, such as Pantone, to identify its claimed color. Thus, even if the shades of the third-party cream-colored pickups vary somewhat from Applicant's self-styled "distinctive" shade, those uses, at minimum, are of a substantially similar shade of cream, i.e., shades close enough in appearance to impair Applicant's "ability to show that its proposed color mark has acquired distinctiveness in that market."<sup>123</sup>

Moreover, the shades of cream in some of the competitive products were "quite similar" to the shades of cream that Dimarzio considered to be infringing in its enforcement efforts, and the shades of cream actually used by DiMarzio appear to differ from that shown in the application drawing.<sup>124</sup>

Dimarzio also feebly claimed that the third-party uses involved the wrong kind of guitar pickup, but the Board quickly pointed that the goods in the application are identified as "electronic sound pickups for guitar" and are not limited to any particular kind of pickup.

With respect to DiMarzio's marketing efforts, the Board noted the lack of "look for" advertising, but acknowledged that such advertising is not required for a showing of acquired distinctiveness.<sup>125</sup> However, Dimarzio's advertising characterized the color cream as one of many colors available, so there was nothing to lead consumers to perceive the color cream as a mark. The Board concluded that DiMarzio's advertising fell short of supporting its Section 2(f) claim. DiMarzio did not provide details regarding its purported sales or its market share, nor did it submit evidence of unsolicited media coverage.

## 8. Genericness

### *In re Jasmin Larian, LLC*

Based largely on common third-party use of the same bamboo handbag design, the Board affirmed a refusal to register the product configuration shown below, for "handbags," finding the design to be

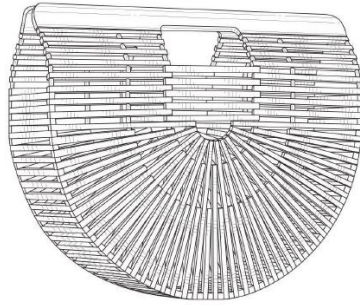
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<sup>123</sup> *Id.* at \*21.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.* at \*26. *See, e.g.,* Stuart Spector Designs, Ltd. v. Fender Musical Instruments Corp., 94 U.S.P.Q.2d 1549, 1574 (T.T.A.B. 2009) ("There are cases where the lack of 'look for' advertising [is] not fatal in view of industry practice to recognize certain configurations as source indicators.").

generic and, alternatively, lacking in acquired distinctiveness.<sup>126</sup> “[H]andbags embodying the proposed mark are so common in the industry that such product design is not capable of indicating source and . . . Applicant’s proposed mark is at best a minor variation thereof.”<sup>127</sup> Applicant Larian’s claim of acquired distinctiveness under Section 2(f)—which the Board considered in the interest of completeness—failed due, in part, to the same lack of exclusivity of use.<sup>128</sup>



The Board noted that the issues at hand, genericness and acquired distinctiveness, are interrelated in that third-party use of the same or a similar design affects each determination.

Genericness: Generic product designs cannot be registered as trademarks.<sup>129</sup> “[C]ourts exercise particular caution when extending protection to product designs because such claims present an acute risk of stifling competition.”<sup>130</sup> This is because “[w]hile most trademarks only create a monopoly in a word, a phrase, or a symbol, ‘granting trade dress protection to an ordinary product design would create a monopoly in the goods themselves.’”<sup>131</sup>

A design may be so common in the industry that it cannot identify a particular source, in which case registration should be refused “on the ground that the proposed mark fails to function as a mark.”<sup>132</sup> There was no dispute that the genus at issue is “handbags” and the relevant consumers are members of the general public, that is, ordinary consumers who purchase handbags. The issue, then, was the primary significance of the proposed mark.

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<sup>126</sup> *In re Jasmin Larian, LLC*, 2022 U.S.P.Q.2d 290 (T.T.A.B. 2022).

<sup>127</sup> *Id.* at \*37.

<sup>128</sup> *Id.*

<sup>129</sup> *See, e.g., Stuart Spector*, 94 U.S.P.Q.2d at 1555 (guitar shape).

<sup>130</sup> *Jasmin Larian*, 2022 U.S.P.Q.2d 290, at \*5.

<sup>131</sup> *Id.* citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 59 U.S.P.Q.2d 1813, 1820-21 (2d Cir. 2001).

<sup>132</sup> *Id.* at \*6. *See Stuart Spector*, 94 U.S.P.Q.2d at 1555.

Larian has sold its “Ark” bag since January 2013, with sales increasing sharply in 2017. The evidence included third-party bags sold prior to 2013, commentary regarding handbag designs, articles about fashion, Larian’s own acknowledgement that its design is a copy of a common design, Internet postings, and third-party handbags sold after Larian’s Ark bag was introduced but before it became popular. “The record shows that third-parties offered identical or nearly identical handbags for sale in the United States prior to Applicant’s first use date.”<sup>133</sup>

Reviewing the USPTO’s submissions in detail, the Board found the evidence of third-party use to be substantial. The Board rejected various objection made by Larian, including hearsay and reliance on non-USA sources. It found particularly probative the fact that “even Applicant acknowledged that the bag embodying the proposed mark is a reproduction of a common bamboo handbag design.”<sup>134</sup>

From this record, we find that handbags embodying the proposed mark are so common in the industry that such product design is not capable of indicating source and that Applicant’s proposed mark is at best a minor variation thereof. Our finding that the proposed mark is generic is an absolute bar to its registration on either the Principal or Supplemental Register.<sup>135</sup>

Acquired Distinctiveness: Assuming *arguendo* that the handbag design was not barred from registration, the Board considered Larian’s claim that the subject product design has acquired distinctiveness. Distinctiveness requires “substantially exclusive and continuous use’ of the mark in commerce.”<sup>136</sup> The burden to prove acquired distinctiveness is higher for a product configuration.<sup>137</sup>

Applying the *Converse* factors<sup>138</sup> to make its determination, the Board noted that Larian did not offer survey evidence, nor any evidence of “look for” advertising. Its sales figures lacked information regarding market share. Although Larian claimed that it has policed the “mark,” its proofs were indefinite and not probative. In view of the evidence of third-party use, the Board ruled that Larian had “failed to demonstrate the ‘substantially exclusive’

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<sup>133</sup> *Id.* at \*8.

<sup>134</sup> *Id.* at \*21.

<sup>135</sup> *Id.* at \*37.

<sup>136</sup> *Id.*, quoting *Stuart Spector*, 94 U.S.P.Q.2d at 1554.

<sup>137</sup> See, e.g., *In re Ennco Display Sys. Inc.*, 56 U.S.P.Q.2d 1279, 1283-84 (T.T.A.B. 2000) (“While there is no fixed rule for the amount of proof necessary to demonstrate acquired distinctiveness, the burden is heavier in this case because it involves product configuration[.]”).

<sup>138</sup> The *Converse* factors are set out in Part I.B.7, above.

use of the purported mark required by the statute.”<sup>139</sup> The evidence of favorable and unsolicited media attention was not enough to overcome the other evidence of record.

## 9. Nonuse

### *In re Suuberg*

In a somewhat muddled decision, the Board affirmed a refusal to register the proposed mark HAVE SOME DECENCY for various charitable fundraising services on the ground that the mark was not in use as of Applicant Alessandra Suuberg’s Section 1(a) filing date. Suuberg made preparatory measures to use the mark but never rendered the services before her filing date.<sup>140</sup>

In a use-based application under Section 1(a) of the Lanham Act, the applicant must have used the mark in commerce on or in connection with all the goods and services listed in the application as of the application filing date.<sup>141</sup> According to Section 45 of the Act, a mark is used in commerce:

[O]n services when [1] it *is used or displayed in the sale or advertising of services* and [2] the services *are rendered* in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.<sup>142</sup>

Statements on Ms. Suuberg’s website indicated that she was not accepting donations and was looking for volunteers to “get our organization off the ground.”<sup>143</sup> Suuberg explained that, at the time of her trademark application filing, she had recently completed a post-baccalaureate premedical program, incorporated a non-profit organization, applied for tax-exempt status, and registered a domain name.

The Board found the *Couture* case to be relevant: there, the applicant had not rendered his entertainment services in commerce as of his filing date, but had merely advertised his “readiness, willingness and ability” to do so.<sup>144</sup> The CAFC declared that “an applicant’s preparations to use a mark in commerce are insufficient to constitute use in commerce. Rather, the mark must be actually

<sup>139</sup> *Jasmin Larian*, 2022 U.S.P.Q.2d 290, at \*49, citing 15 U.S.C. § 1052(f); *In re Owens-Corning Fiberglas Corp.*, 774 F.2d 1116, 227 U.S.P.Q. 417, 424 n.11 (Fed. Cir. 1985).

<sup>140</sup> *In re Suuberg*, 2021 U.S.P.Q.2d 1209 (T.T.A.B. 2021).

<sup>141</sup> See *Couture v. Playdom, Inc.*, 778 F.3d 1379, 113 U.S.P.Q.2d 2042, 2043 (Fed. Cir. 2015).

<sup>142</sup> Section 45 of the Lanham Act, 15 U.S.C. § 1127 (emphasis by the Board).

<sup>143</sup> *Suuberg*, 2021 U.S.P.Q.2d 1209, at \*4.

<sup>144</sup> *Couture*, 113 U.S.P.Q.2d at 2042-43.

used in conjunction with the services described in the application for the mark.”<sup>145</sup>

Just as in *Couture*, where the applicant’s activities were preliminary and had not resulted in any use of the mark in commerce prior to the filing of the application, Applicant here was in the nascent stage of developing her business when she filed her application. She had just finished her education and had just formed an entity to develop her vision of “encouraging ‘decency’ in medicine and medical research.” Applicant’s incorporation of her organization, application for tax-exempt status and registration of her domain name did not accord her service mark rights. See *Stawski v. Lawson*, 129 U.S.P.Q.2d 1036, 1045 (T.T.A.B. 2018) (citing *Brookfield Comms., Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 50 U.S.P.Q.2d 1545, 1555 (9th Cir. 1999); *In re Letica Corp.*, 226 U.S.P.Q. 276, 277 (T.T.A.B. 1985)).<sup>146</sup>

The Board concluded that none of Suuberg’s preparatory measures amounted to use in commerce, and it therefore deemed the application void *ab initio*.

## 10. Failure-to-Function

### *In re Maugus Manufacturing, Inc.*

In view of many recent TTAB decisions, we hardly need to be reminded that, to be registrable, a proposed trademark must function as a source indicator in the eyes of relevant consumers. Applicant Maugus Manufacturing tripped over that hurdle when it applied to register DRINK MORE BEER for “non-metal and non-paper closures for containers.” The Board agreed with the USPTO that the proposed mark, as presented on Maugus’s specimens of use (see illustration below), would not be perceived as identifying source, but rather would be seen as an example of how wording may appear on the products that consumers purchase.<sup>147</sup>

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<sup>145</sup> *Id.*

<sup>146</sup> *Suuberg*, 2021 U.S.P.Q.2d 1209, at \*6-7.

<sup>147</sup> *In re Maugus Mfg., Inc.*, 2021 U.S.P.Q.2d 1100 (T.T.A.B. 2021).



In determining whether a proposed mark functions as a source indicator, the Board (not surprisingly) reviews the specimens and other evidence of record.<sup>148</sup>

Whether matter applied for as a trademark functions as a trademark depends on how it would be perceived by the relevant public, here a brewery owner, manager, or other employee who is responsible for ordering the goods, as is evident from the specimens, and also members of the general public associated with home brewing (e.g., home brew supply shops, home brewers). *In re Eagle Crest, Inc.*, 96 U.S.P.Q.2d 1227, 1229 (T.T.A.B. 2010); *In re Aerospace Optics, Inc.*, 78 U.S.P.Q.2d 1861, 1862 (T.T.A.B. 2006).<sup>149</sup>

Maugus's specimens of use showed that it uses the trademark NNBC to identify and distinguish the source of its closures; "DRINK MORE BEER" "merely identifies optional wording that may appear on one of the products, or one of the available styles for the product sold, under the NNBC mark."<sup>150</sup> The Board found its decision in *In re J. Hungerford Smith Co.*<sup>151</sup> to be instructive. There, the applicant used "JHS" or "J. Hungerford Smith" to identify the source of its soft drink syrup; the proposed mark "Burgundy" appeared only as a flavor designation and not as a trademark.

The Board concluded that purchasers would view the proposed mark "as an example of how their own marks might look on Applicant's growler caps. They would not associate the wording "DRINK MORE BEER" stamped or embossed on the growler cap as a source identifier of the 'non-metal and non-paper closures for containers' identified in the application."<sup>152</sup>

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<sup>148</sup> *In re Hulting*, 107 U.S.P.Q.2d 1175, 1177 (T.T.A.B. 2013).

<sup>149</sup> *Maugus*, 2021 U.S.P.Q.2d 1100, at \*6.

<sup>150</sup> *Id.* at \*9.

<sup>151</sup> 279 F.2d 694, 126 U.S.P.Q. 372 (C.C.P.A. 1960).

<sup>152</sup> *Maugus*, 2021 U.S.P.Q.2d 1100, at \*7.

*In re MCDM Productions, LLC*

Following long-standing precedent, the Board affirmed a refusal to register the proposed mark STRONGHOLDS & FOLLOWERS for “role playing game equipment in the nature of game book manuals” on the ground that the mark is the title of a single work and therefore does not function as a trademark under Section 1, 2, and 45 of the Lanham Act.<sup>153</sup>

The CAFC and its predecessor, the CCPA, have ruled that “[t]he title of a single creative work, such as a book, is not considered to be a trademark, and is therefore unregistrable.”<sup>154</sup>

The Board found that MCDM’s goods “plainly are books” and admittedly not a series of books.<sup>155</sup> The term “STRONGHOLDS & FOLLOWERS” appears on the front of the game manual in the place where the title usually appears. MCDM’s website allows the purchase of “STRONGHOLDS & FOLLOWERS” as a single title, in print and electronic (.pdf) formats. The Board observed that “selling a book in different formats does not preclude a finding that the title names a single work.”<sup>156</sup>

MCDM contended that “STRONGHOLDS & FOLLOWERS” is recognized by consumers as a source indicator, but the Board found no evidence that the term is seen as anything other than the title of the manual. The Board rejected MCDM’s contention that an analysis of acquired distinctiveness is relevant. “The Federal Circuit has foreclosed the argument that the title of a single work is registrable if it has acquired distinctiveness.”<sup>157</sup>

MCDM next pointed to third-party registrations for similar role-playing game manuals, but the Board once again pointed out that each case must be decided on its own record.<sup>158</sup> Moreover, it was not

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<sup>153</sup> *In re MCDM Prods., LLC*, 2022 U.S.P.Q.2d 227 (T.T.A.B. 2022).

<sup>154</sup> *See, e.g.,* *Herbko Int’l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 64 U.S.P.Q.2d 1375, 1378 (Fed. Cir. 2002); *In re Cooper*, 254 F.2d 611, 117 U.S.P.Q. 396, 400 (C.C.P.A. 1958) (“[H]owever arbitrary, novel, or nondescriptive of contents the name of a book—its title—may be, it nevertheless describes the book.”).

<sup>155</sup> *MCDM*, 2022 U.S.P.Q.2d 227, at \*4.

<sup>156</sup> *Id.* at \*9. *See* *Mattel Inc. v. Brainy Baby Co.*, 101 U.S.P.Q.2d 1140, 1144 (T.T.A.B. 2011) (“the LAUGH & LEARN program is promoted in respondent’s catalogs as a single work that is available in both VHS and DVD formats”); *In re Appleby*, 159 U.S.P.Q. 126, 127 n.1 (T.T.A.B. 1968) (“The fact that applicant’s recording is also available in the Spanish language is of no particular significance since “HYPNO-SMOKE,” as used thereon, performs the same function.”).

<sup>157</sup> *Id.* at \*15 n.21. *See* *Herbko*, 64 U.S.P.Q.2d at 1378 (“the publication of a single book cannot create, as a matter of law, an association between the book’s title (the alleged mark) and the source of the book (the publisher).”).

<sup>158</sup> *See In re Nett Designs*, 236 F.3d 1339, 57 U.S.P.Q.2d 1564, 1566 (Fed. Cir. 2001) (“The Board must decide each case on its own merits”); *Cooper*, 117 U.S.P.Q. at 401 (“[T]he decision of this case in accordance with sound law is not governed by possibly erroneous past decisions by the Patent [and Trademark] Office”).



clear whether the third-party marks were used for a series of works, which would make their registration consistent with case precedent.

Finally, MCDM argued that its manual is an “activity book” whose content changes with each issue, and is therefore not subject to the single work refusal.<sup>159</sup> The Board, however, found that MCDM’s manual does not offer activities, but rather instructions.

The record shows that the applicant’s role playing game manuals, though intended to guide action in a game, are not activity books in which the content changes with each issue. Rather, the applicant’s role playing game manuals include unchanging instruction on a method of play, and so the refusal of the title fits squarely in the line of cases finding that registration of the title of a single instructional manual is barred.<sup>160</sup>

## 11. Disclaimer Requirement

### *In re Lego Juris A/S*

In what may be one of the biggest wastes of time in the history of trademark jurisprudence, the Board reversed the USPTO’s requirements that Lego disclaim the word “kid,” in both Latin and non-Latin characters, in the two marks shown below, for various goods and services primarily aimed at children. The Board found the two marks to be unitary and therefore that disclaimer of “kid” was not required.<sup>161</sup> Now, does anyone think that Lego, by avoiding these disclaimers, will be able to stop others from using the word “KID” in connection with child-related goods and services? What’s the point?

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<sup>159</sup> See TMEP § 1202.08(b):

Generally, any creative work will not be considered a single creative work if evidence exists that it is part of a series (e.g., the work is labeled “volume 1,” “part 1,” or “book 1”) or is a type of work in which the content changes with each issue or performance. For example, single creative works do not include periodically issued publications, such as magazines, newsletters, comic books, comic strips, guide books, and printed classroom materials, because the content of these works changes with each issue.

<sup>160</sup> MCDM, 2022 U.S.P.Q.2d 227, at \*21.

<sup>161</sup> *In re Lego Juris A/S*, 2022 U.S.P.Q.2d 443 (T.T.A.B. 2022).



The Board observed that a composite mark is unitary if the elements of the mark “are so merged together that they cannot be viewed as separable elements . . . rendering a disclaimer unnecessary.”<sup>162</sup>

Several factors inform the unitariness analysis: the physical connection of the potentially unregistrable component to other elements of the proposed mark by lines or other design features; the relative location of the respective elements of the proposed mark; and the significance of the terminology as used on or in connection with the goods or services.<sup>163</sup>

The Board found that, in each mark, the elements “merge together in a way that conveys a unitary impression.”<sup>164</sup> It perceptively noted that the words MONKIE and KID are physically connected to the design of a monkey’s head. The Board was unmoved by the examining attorney’s imaginative argument that the monkey head “functions as a space” that separates those two words.<sup>165</sup>

Connecting elements with a design feature tends to show unitariness. *Dena v. Belvedere*, 21 U.S.P.Q.2d at 1052. This conclusion is bolstered by the curled tail over the letter I in KID, which gives the sense that the monkey’s body is hidden behind the word KID, with the tail peeking over the top. A similar tail design also appears at the bottom right,

<sup>162</sup> *Id.* at \*6, quoting *In re EBS Data Processing, Inc.*, 212 U.S.P.Q. 964, 966 (T.T.A.B. 1981).

<sup>163</sup> *Id.*, citing *Dena Corp. v. Belvedere Int’l, Inc.*, 950 F.2d 1555, 21 U.S.P.Q.2d 1047, 1052 (Fed. Cir. 1991) (finding EUROPEAN FORMULA above a circular design for cosmetic products not unitary since the “elements are not so merged together that they cannot be regarded as separate” and the proximity of the words to the design feature “does not endow the whole with a single, integrated, and distinct commercial impression”); compare *Kuppenheimer & Co v. Kayser-Roth Corp.*, 326 F.2d 820, 140 U.S.P.Q. 262, 263 (C.C.P.A. 1964) (wording <sup>Kuppenheimer</sup> <sup>of 1488</sup> connected by shared double P’s became “an indivisible symbol”). See also TMEP § 1213.05 (July 2021).

<sup>164</sup> *Id.* at \*7.

<sup>165</sup> *Id.*

connected to the Chinese lettering joined to the edge of the D in the word KID and to the edge of the underlining beneath MONKIE KID and the monkey head design.<sup>166</sup>

What about the fact that the words “MONKIE” and “KID” are in different colors? Again, the Board was unimpressed:

The monkey head design incorporates both red and yellow, and this color scheme, like the design itself and its placement, serves to bring the words MONKIE and KID together, reinforced by the underlining of both words and the design in alternating red and yellow. We find the elements of the mark as a whole are “so merged together that they cannot be regarded as separate.”<sup>167</sup>

The Board concluded that the monkey-related design elements and the connection of the various features “give the impression of a ‘monkey kid’ creature.”<sup>168</sup> Consumers are likely to understand KID, and its foreign equivalent, to refer to that MONKIE KID creature. In short, “a registrable term and an unregistrable term are joined together [with design elements] so as to form a mark which has a distinct non-descriptive meaning of its own . . . .”<sup>169</sup>

## 12. Procedural Issues

### *a. Failure to Comply with Domicile Address Requirement*

#### *In re Chestek PLLC*

Chestek PLLC found itself out on the street after it refused to provide the USPTO with its “domicile address.” Instead, it furnished a post office box number in Raleigh, North Carolina. The USPTO denied registration, citing violation of Trademark Rules 2.189<sup>170</sup> and 2.32(a)(2)<sup>171</sup> because a post office box is not a street address. Chestek argued that the applicable rules were unlawfully promulgated and should not be enforced. The Board disagreed.<sup>172</sup>

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<sup>166</sup> *Id.* at \*7-8.

<sup>167</sup> *Id.* at \*8, quoting *Dena v. Belvedere*, 21 U.S.P.Q.2d at 1052.

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*, quoting *In re Kraft, Inc.*, 218 U.S.P.Q. 571, 573 (T.T.A.B. 1983).

<sup>170</sup> Trademark Rule 2.189, 37 C.F.R. § 2.189, states that “An applicant or registrant must provide and keep current the address of its domicile, as defined in § 2.2(o).” Rule 2.2(o) defines the term “domicile” to mean “the permanent legal place of residence of a natural person or the principal place of business of a juristic entity.”

<sup>171</sup> Trademark Rule 2.32, 37 C.F.R. § 2.32, lists the “[r]equirements for a complete trademark or service mark application,” including in subsection (a)(2), “[t]he name, domicile address, and email address of each applicant.”

<sup>172</sup> *In re Chestek PLLC*, 2022 U.S.P.Q.2d 299 (T.T.A.B. 2022).

The term “domicile” in this context means “the permanent legal place of residence of a natural person or the principal place of business of a juristic entity.”<sup>173</sup> According to TMEP Section 803.05(a) (July 2022), “[i]n most cases, a post-office box, a ‘care of’ (c/o) address, the address of a mail forwarding service, or other similar variation cannot be a domicile address.” The examining attorney indicated that “[i]n most cases, a post office box is not acceptable. An address that is not a street address is not acceptable as a domicile address because it does not identify the location of applicant’s headquarters where the entity’s senior executives or officers ordinarily direct and control the entity’s activities.”<sup>174</sup>

The Board ruled that the TTAB is not the proper forum for challenging the enforcement of an applicable rule: “the proper course for such a challenge would have been a petition for rulemaking.”<sup>175</sup> Chestek cited the Administrative Procedure Act (“APA”) <sup>176</sup> but offered “no authority for making an APA challenge in an administrative forum that is part of the same agency that adopted the rules and policy guidance.”<sup>177</sup>

The Board also found unpersuasive Chestek’s policy arguments. The domicile information entered on the USPTO application form is now hidden from public view.<sup>178</sup> Chestek argued that “[i]f a person needs to keep their street address a secret for their personal protection, the only way to make sure it remains a secret is never to disclose it . . . . It is unacceptable to have to rely on a government agency for one’s personal safety.”<sup>179</sup> However, the Board pointed out that Chestek PLLC (a business entity) did not assert any such need for secrecy, and Chestek explicitly refused to avail itself of the USPTO’s procedure for waiver of the rule.<sup>180</sup>

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<sup>173</sup> Trademark Rule 2.2(o), 37 C.F.R. § 2.2(o).

<sup>174</sup> *Chestek*, 2022 U.S.P.Q.2d 299, at \*2.

<sup>175</sup> *Id.* at \*5, citing 5 U.S.C. § 553(e) (“Each agency shall give an interested person the right to petition for the issuance, amendment, or repeal of a rule.”).

<sup>176</sup> 5 U.S.C. §§ 551–559.

<sup>177</sup> *Chestek*, 2022 U.S.P.Q.2d 299, at \*5.

<sup>178</sup> See TMEP § 601.01(d) (July 2022): “Most TEAS forms allow an applicant or registrant to specify the owner’s mailing address, which is publicly viewable, and a separate domicile address, which is masked or hidden from public view.”

<sup>179</sup> *Chestek*, 2022 U.S.P.Q.2d 299, at \*7.

<sup>180</sup> See Trademark Rules 2.146(a)(5) and 2.148, 37 C.F.R. §§ 2.146(a)(5) and 2.148, and TMEP § 1708 concerning petitions to the Director for waiver of a requirement of the Rules. See also Examination Guide 4-19 (Revised), “Requirement of U.S.-Licensed Attorney for Foreign-Domiciled Trademark Applicants and Registrants September 2019.”

## PART II. INTER PARTES CASES

### *A. United States Court of Appeals for the Federal Circuit*

#### 1. Section 2(d) Likelihood of Confusion

*Tiger Lily Ventures Ltd. v.*

*Barclays Capital Inc. and Barclays PLC*

The CAFC affirmed the TTAB’s decision<sup>181</sup> sustaining an opposition to registration of the mark LEHMAN BROTHERS for beer, spirits, and bar and restaurant services, on the ground of likelihood of confusion with the identical mark used for various financial services. The appellate court upheld the Board’s dismissal of Appellant Tiger Lily’s counterclaims challenging Barclays’ application to register the mark for financial services on the grounds of lack of bona fide intent, likelihood of confusion, and fraud.<sup>182</sup>

Barclays purchased the LEHMAN BROTHERS mark in 2008, after Lehman Brothers declared bankruptcy. Barclay then licensed the mark back to Lehman Brothers in connection with certain of the latter’s retained operations. Tiger Lily filed its application to register on March 6, 2013, and Barclays applied to register the same mark for financial services on June 2, 2014.

Because Barclays had allowed the registrations for the mark to lapse, Tiger Lily alleged that Barclays abandoned the mark, thereby making the mark available for Tiger Lily’s adoption and use and negating Barclays’ claim of priority. The Board found, however, that Barclays still possessed prior common law rights in the mark.

The CAFC first considered the Board’s findings on abandonment and priority, ruling that substantial evidence supported the Board’s conclusion that the LEHMAN BROTHERS mark had not been abandoned. The “decisive factor” was Tiger Lily’s acknowledgement that the mark has been continuously used in the winding up of the affairs of at least one Lehman Brothers’ affiliated company.<sup>183</sup> Thus, Tiger Lily “essentially concedes that it cannot prove the ‘nonuse’ element” of its abandonment claim.<sup>184</sup> Tiger Lily asserted that the bankruptcy proceedings will eventually end and Lehman Brothers will not emerge as a continuing enterprise, but the CAFC found this irrelevant, since use had not yet been discontinued. Because Barclays had not abandoned the mark, it enjoyed priority.

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<sup>181</sup> Barclays Capital Inc. and Barclays PLC v. Tiger Lily Ventures Ltd., Oppositions Nos. 91219477, 91219478, and 91219549 (T.T.A.B. Sept. 30, 2020).

<sup>182</sup> Tiger Lily Ventures Ltd. v. Barclays Capital Inc. and Barclays PLC, 35 F.4th 1352, 2022 U.S.P.Q.2d 513 (Fed. Cir. 2022).

<sup>183</sup> *Id.* at \*5.

<sup>184</sup> *Id.* at \*6.

Tiger Lily also challenged the Board's finding of likelihood of confusion, claiming that the Board committed a number of errors. The CAFC observed that the identity of the marks weighed heavily in the Section 2(d) analysis. As to the similarity of the involved goods and services, Barclays introduced extensive evidence of companies that have promoted financial services through use of their own trademarks for alcohol, food, and beverages. Moreover, Lehman Brothers used its mark in connection with products related to whisky and alcoholic beverages (e.g., whisky decanters).

The CAFC pointed out that, as a highly famous mark, LEHMAN BROTHERS merited a broad scope of protection. And although Tiger Lily may not be "actively 'confusing' consumers" it is seeking to take advantage of the fame of the LEHMAN BROTHERS mark.<sup>185</sup>

Tiger Lily attempts to draw a distinction between "consumer recognition" as compared with "goodwill," and argues that it is actually trying to trade on the "bad will" associated with the LEHMAN BROTHERS mark . . . . But we find no legal support for these subtle distinctions, and we thus find that Tiger Lily's attempts to capitalize on the fame of the LEHMAN BROTHERS mark weighs in favor of finding a likelihood of confusion.<sup>186</sup>

In sum, substantial evidence supported the Board's *DuPont* findings regarding likelihood of confusion. "Moreover, Tiger Lily's attempt to benefit from the fame of the LEHMAN BROTHERS mark 'plays a 'dominant role in the process of balancing the DuPont factors.'"<sup>187</sup>

With respect to Tiger Lily's lack-of-bona-fide intent counterclaim, in light of the continuous use of the LEHMAN BROTHERS mark since 2008 and Barclays' capacity to offer financial services, the Board's finding that Tiger Lily failed to prove a lack of bona fide intent was supported by substantial evidence. Since Tiger Lily's fraud claim was predicated on Barclays' alleged lack of bona fide intent, it too failed.

The CAFC therefore affirmed the Board's decision with respect to Tiger Lily's appeal. Barclay's cross-appeal on its claims of Section 2(a) false association, dilution, and lack of bona fide intent was dismissed because Barclays cannot appeal from a judgment in which it prevailed.<sup>188</sup>

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<sup>185</sup> *Id.* at \*8.

<sup>186</sup> *Id.* at \*9.

<sup>187</sup> *Id.*, quoting *Bose Corp. v. QSC Audio Prods., Inc.*, 293 F.3d 1367, 1371 (Fed. Cir. 2002).

<sup>188</sup> Rule 28.1 of the Rules of Practice of the U.S. Court of Appeals for the Federal Circuit provides:

A party may file a cross-appeal only when it seeks to modify or overturn the judgment of a trial tribunal. Although a party may present additional arguments

## 2. Article III Standing

### *Brooklyn Brewery Corp. v. Brooklyn Brew Shop, LLC*

The CAFC affirmed most of the Board’s rulings in the *Brooklyn Brewery* case,<sup>189</sup> upholding the denial of Plaintiff Brooklyn Brewery’s (“Brewery”) petition for cancellation of a registration for the mark BROOKLYN BREW SHOP (in standard form) for beer-making kits. Appellant Brewery did not challenge the Board’s application of laches to its Section 2(d) claim, and the CAFC agreed with the Board that Brewery failed to prove its claim that the mark BROOKLYN BREW SHOP is merely descriptive.

As to Brewery’s opposition to the stylized version of the mark (shown below), the court upheld the Board’s application of laches to the Section 2(d) claim with regard to kits, but as to the mere descriptiveness claim, it reversed and remanded because the Board failed to make sufficient factual findings on that issue.<sup>190</sup>



Standing: The CAFC first dealt with Brewery’s appeal from the Board’s dismissal of its opposition to registration of Appellee Brooklyn Brew Shop’s (“BBS”) stylized mark for “sanitizing preparations for household use.” BBS argued that Brewery lacked both Article III and statutory standing to appeal the Board’s decision. The court noted that it had not addressed the issue of standing in a trademark case, but decisions in the patent context “have made clear that the statute does not set forth the exclusive test for standing when a decision of an administrative agency is appealed in federal court. The appellant must also satisfy the requirements of Article III.”<sup>191</sup>

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in support of the judgment as an appellee, counsel are cautioned against improperly designating an appeal as a cross-appeal when they merely present arguments in support of the judgment.

*See Bailey v. Dart Container Corp. of Mich.*, 292 F.3d 1360, 63 U.S.P.Q.2d 1319 (Fed. Cir. 2002).

<sup>189</sup> *Brooklyn Brewery Corp. v. Brooklyn Brew Shop, LLC*, 2020 U.S.P.Q.2d 10914 (T.T.A.B. 2020).

<sup>190</sup> *Brooklyn Brewery Corp. v. Brooklyn Brew Shop, LLC*, 17 F.4th 129, 2021 U.S.P.Q.2d 1069 (Fed. Cir. 2021).

<sup>191</sup> *Id.* at \*3. Generally speaking, Article III, Section 2, Clause 1 of the Constitution limits the power of federal courts to “cases” and “controversies.” *See, e.g., Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 121 U.S.P.Q.2d 1242 (Fed. Cir. 2017); *see also Consumer Watchdog v. Wis. Alumni Rsch. Found.*, 753 F.3d 1258, 111 U.S.P.Q.2d 1241, 1243 (Fed. Cir. 2014) (“[A]lthough Article III standing is not necessarily a requirement

[T]he test for likelihood-of-confusion or descriptiveness purposes is whether the challenger and registrant compete in the same line of business and failure to cancel an existing mark, or to refuse registration of a new mark, would be likely to cause the opposer competitive injury. To be clear, an opposer cannot show standing by merely showing the registrant competes with the opposer and receives a benefit from the unlawful trademark.<sup>192</sup>

The court held that Brewery lacked Article III standing to appeal the Board's adverse decision because Brewery failed to demonstrate that it would suffer injury if the registration were granted, since Brewery does not sell sanitizing preparations.<sup>193</sup>

Laches: Brewery argued that the Board committed legal error by finding the two challenged marks to be substantially similar so that laches from the cancellation proceeding applied to the opposition as well. The CAFC, however, found that the Board did not err. The court also agreed with the Board's conclusion that confusion was not inevitable—which would have prevented the application of laches<sup>194</sup>—since “neither the marks nor the goods were nearly identical.”<sup>195</sup> And so, the Board properly dismissed Brewery's Section 2(d) claim as to the stylized mark.

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to appear before an administrative agency [such as the TTAB], once a party seeks review in a federal court, ‘the constitutional requirement that it have standing kicks in.’” (quoting *Sierra Club v. EPA*, 292 F.3d 895, 899, 352 U.S. App. D.C. 191 (D.C. Cir. 2002)).

<sup>192</sup> *Id.* at \*4. Shortly thereafter, the CAFC issued an errata, in which it made the following change to its original opinion: “Page 9, lines 1-5, change ‘Thus, the **test** for likelihood-of-confusion or descriptiveness purposes is whether the challenger and registrant compete in the same line of business and failure to cancel an existing mark, or to refuse registration of a new mark, would be likely to cause the opposer competitive injury’ to ‘Thus, the **issue** for likelihood-of-confusion or descriptiveness purposes is **typically** whether the challenger and registrant compete in the same line of business and failure to cancel an existing mark, or to refuse registration of a new mark, would be likely to cause the opposer competitive injury.’” (emphasis added).

<sup>193</sup> See “Trademark Injury in Law and Fact: A Standing Defense to Modern Infringement,” 35 Harv. L. Rev. 667 (December 2021), asserting that under current Article III scrutiny, “trademark claims of abstract harm should not survive.” Professor J. Thomas McCarthy criticized the CAFC's “erroneous reading of both Article III and classic trademark law,” expressing his concern that the ruling “has the potential to work a drastic and far-reaching change in the basic test for likelihood of confusion.” J. Thomas McCarthy, “Professor McCarthy Criticizes CAFC's Stance on Article III Standing in Brooklyn Brewery Case,” *The TTABlog*, Jan. 7, 2022, <https://thettablog.blogspot.com/2022/01/professor-mccarthy-criticizes-cafcs.html>.

<sup>194</sup> See, e.g., *Ultra-White Co., Inc. v. Johnson Chem. Indus., Inc.*, 465 F.2d 891, 893-94, 59 C.C.P.A. 1251 (C.C.P.A. 1972) (despite six-year delay in filing a petition to cancel, laches defense unavailable when confusion was inevitable).

<sup>195</sup> *Brooklyn Brewery*, 2021 U.S.P.Q.2d 1069, at \*9. A showing of inevitable confusion requires that there be no reasonable doubt as to likelihood of confusion. See *Ultra-White Co.*, 465 F.2d at 893. Typically, only where both the goods and marks are nearly identical is that standard satisfied. See, e.g., *In re Nat'l Distillers & Chem. Corp.*, 297 F.2d 941, 943, 49 C.C.P.A. 854 (C.C.P.A. 1962) (finding differences between MARQUES DEL MERITO and MERITO for the non-identical goods wine and rum were “sufficient to raise



Acquired Distinctiveness: As to the registered, standard form BROOKLYN BREW SHOP mark, the Board found that Brewery failed to overcome the presumption of inherent distinctiveness that attaches to a registered mark.<sup>196</sup> That finding was supported by substantial evidence.

However, as to the unregistered, stylized version of the mark, because BBS sought registration under Section 2(f), the burden of proving acquired distinctiveness was on BBS, not on Brewery.<sup>197</sup>

BBS contended that the Board did not have to address the descriptiveness issue, because, once the Board had denied the petition for cancellation, the *Morehouse*<sup>198</sup> defense barred a challenge to the stylized mark, since it is “essentially the same mark for the same goods.”<sup>199</sup> The court observed that the *Morehouse* defense is premised on the principle that a party damaged by an existing registration “cannot suffer legal damage from [an] additional registration, over and above any damage it may suffer from [an] existing registration” for essentially the same mark and same goods.<sup>200</sup>

The CAFC ruled that the *Morehouse* defense was inapplicable, noting that in the standard form registration for BROOKLYN BREW SHOP, BROOKLYN BREW was disclaimed, whereas in the stylized application, BREW SHOP was disclaimed. “Therefore, because BBS’s applied-for mark claims rights to BROOKLYN and the registered mark disclaims rights in BROOKLYN BREW, the harm the two marks cause to Brewery’s BROOKLYN and BROOKLYN BREWERY marks is potentially different.”<sup>201</sup>

Pointing out that the Board did not make any factual findings as to whether BBS had met its burden of proof on the issue of descriptiveness, the court remanded the case to the Board for consideration of that issue.

### 3. Entitlement to a Statutory Cause of Action

#### *Meenaxi Enterprise, Inc. v. Coca-Cola Co.*

Concluding that Coca-Cola failed to establish statutory standing based on lost sales or reputational injury, the CAFC reversed the

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a doubt as to the likelihood of confusion, mistake or deception of purchasers arising from the common use of the word MERITO”).

<sup>196</sup> *Id.* at \*12, citing J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:43 n.3 (5th ed.) (citing cases).

<sup>197</sup> *Id.* at \*13, citing Yamaha Int’l Corp. v. Hoshino Gakki Co., 840 F.2d 1572, 6 U.S.P.Q.2d 1001, 1007 (Fed. Cir. 1988).

<sup>198</sup> *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 884, 56 C.C.P.A. 946 (C.C.P.A. 1969).

<sup>199</sup> *Brooklyn Brewery*, 2021 U.S.P.Q.2d 1069, at \*13.

<sup>200</sup> *Id.* at \*14.

<sup>201</sup> *Id.*

TTAB's decision<sup>202</sup> ordering cancellation of Meenaxi Enterprise's registrations for the marks THUMS UP and LIMCA for soft drinks.<sup>203</sup> The Board found that Meenaxi had used the registered marks to misrepresent the source of its goods, in violation of Section 14(3)<sup>204</sup> of the Lanham Act, and that Coca-Cola had met the zone-of-interests and damages prongs of the *Lexmark* test for statutory standing.<sup>205</sup>

Coca-Cola has been selling THUMS UP and LIMCA beverages in India for decades, but not in the United States. Meenaxi began distributing its THUMS UP and LIMCA products in the United States in 2008 and registered the marks in 2012. The Board found that Coca-Cola's brands had reputations that would be familiar to Indian Americans in this country and that Meenaxi was attempting "to dupe consumers in the United States."<sup>206</sup>

There was no question that Meenaxi had Article III standing<sup>207</sup> to bring this appeal, since its registrations were ordered cancelled.<sup>208</sup> However, in the underlying cancellation proceeding, Coca-Cola was required to prove entitlement to a statutory cause of action ("sometimes called statutory standing")<sup>209</sup> under Lanham Act § 14(3).<sup>210</sup>

Whether a party has statutory standing is a legal determination subject to review de novo.<sup>211</sup> The CAFC confirmed that "the *Lexmark* zone-of-interests and proximate-causation requirements control the statutory cause of action analysis under § 1064."<sup>212</sup> In *Lexmark*, the

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<sup>202</sup> The Coca-Cola Co. v. Meenaxi Enterprise, Inc., 2021 U.S.P.Q.2d 709 (T.T.A.B. 2021).

<sup>203</sup> Meenaxi Enterprise, Inc. v. Coca-Cola Co., 38 F.4th 1067, 2022 U.S.P.Q.2d 602 (Fed. Cir. 2022).

<sup>204</sup> Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), provides, in pertinent part, that a registration is subject to cancellation if "the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used."

<sup>205</sup> *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014).

<sup>206</sup> The Coca-Cola Co. v. Meenaxi Enterprise, Inc., 2021 U.S.P.Q.2d 709 at \*38.

<sup>207</sup> Article III of the U.S. Constitution limits federal courts to hearing "cases" or "controversies," U.S. Const. art. III, § 2, cl. 1. To have standing in federal court, a plaintiff must establish (1) an "injury in fact," namely, a harm that is concrete, particularized, and actual or imminent, not conjectural or hypothetical; (2) the injury was likely caused by the defendant; and (3) the injury would likely be redressed by judicial relief. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992).

<sup>208</sup> *Cf. Brooklyn Brewery Corp.*, 2021 U.S.P.Q.2d 1069, citing *Consumer Watchdog*, 753 F.3d 1258 at 1261.

<sup>209</sup> *Meenaxi Enterprise, Inc. v. Coca-Cola Co.*, 2022 U.S.P.Q.2d 602, at \*\*3 n.2, citing *Lexmark*, 572 U.S. at 128 n.4.

<sup>210</sup> *Id.* See *Australian Therapeutic Supplies Pty. Ltd. v. Naked TM, LLC*, 965 F.3d 1370, 2020 U.S.P.Q.2d 10837, at \*3 (Fed. Cir. 2020), *cert. denied*, 142 S. Ct. 82 (2021).

<sup>211</sup> *Id.* citing *Corcamore, LLC v. SFM, LLC*, 978 F.3d 1298, 2020 U.S.P.Q.2d 11277, at \*4 (Fed. Cir. 2020), *cert. denied*, 141 S. Ct. 2671 (2021).

<sup>212</sup> *Id.* at \*4.

Supreme Court held that a party must allege an “injury to a commercial interest in reputation or sales.”<sup>213</sup>

Meenaxi contended that because Coca-Cola lacked trademark rights in the United States, it did not have a cause of action due to the basic principle of territoriality: “trademark rights exist in each country solely according to that country’s statutory scheme.”<sup>214</sup> The CAFC pointed out, however, that the territoriality principle “does not govern here” because § 14(3), like § 43(a), is not limited to protection of trademark rights.

Both § 43(a) and § 14(3) extend to the improper use of marks that cause commercial injury even if the injured party is not itself a trade-mark holder. The Fourth Circuit clarified in *Belmora*<sup>215</sup> that both § 43(a) and § 14(3) extend beyond trademark protection, as the “the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action.” *Belmora*, 819 F.3d at 706. In this respect, the court noted the similar basis and interests of § 14(3) and § 43(a) claims: “To determine if a petitioner falls within the protected zone of interests, we note that § 14(3) pertains to the same conduct targeted by § 43(a) false association actions—using marks so as to misrepresent the source of goods. *Id.*, 819 F.3d at 714–15.”<sup>216</sup>

The court acknowledged that *Belmora*—which suggested that commercial injury to a company’s foreign sales qualifies as damages for purposes of § 14(3) and § 43(a)<sup>217</sup>—has been criticized in the academic literature,<sup>218</sup> and there is limited authority as to whether such claims may be based on lost sales or reputational injury occurring solely outside the United States. However, that question

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<sup>213</sup> *Id.*, quoting *Lexmark*, 572 U.S. at 132.

<sup>214</sup> *Id.*, quoting *Person’s Co. v. Christman*, 900 F.2d 1565, 14 U.S.P.Q.2d 1477, 1479 (Fed. Cir. 1990).

<sup>215</sup> *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, 137 S. Ct. 1202 (2017).

<sup>216</sup> *Meenaxi Enterprise*, 2022 U.S.P.Q.2d 602, at \*6.

<sup>217</sup> *Id.*

<sup>218</sup> *Id.* at \*6 n.7, citing J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 29:1 (5th ed. 2021) (“the *Belmora* decision ignored the territoriality principle”); Connie D.P. Nichols, *Article 6bis of the Paris Convention for Well-Known Marks: Does it Require Use or a Likelihood of Consumer Confusion for Protection? Did Belmora LLC v. Bayer Consumer Care AG Resolve This Question?*, 30 Ind. Int’l & Comp. L. Rev. 235, 248 (2020) (*Belmora* “starkly breaks from the principles of territoriality and unfair competition cases”); Christine H. Farley, No Trademark, No Problem, 23 B.U. J. Sci. & Tech. L. 304, 313 (2017) (the decision “failed to acknowledge that its ruling challenged fundamental principles of trademark law”); Mark P. McKenna & Shelby Niemann, 2016 Trademark Year in Review, 92 Notre Dame L. Rev. Online 112, 122 (2016) (*Belmora* “is especially notable . . . [in] its failure to recognize the implications of its decision for the territoriality of trademark rights.”).

does not arise here, since Coca-Cola based its claim solely on alleged injury in the United States.

**Lost Sales:** The CAFC agreed with Meenaxi that Coca-Cola failed to identify any lost sales in the United States. Unauthorized resales of product imported from India by third parties “do nothing to establish lost sales by Coca-Cola in the United States.”<sup>219</sup> Coca-Cola provided no evidence that it sells LIMCA soda in this country, and as to THUMS UP, sales were *de minimis*. Its “nebulous” plans for future sales were irrelevant.<sup>220</sup>

**Reputational Injury:** Coca-Cola did not rely on the “famous-marks” exception<sup>221</sup> to the territoriality principle. It claimed reputational injury in the United States because Indian Americans are allegedly aware of the THUMS UP and LIMCA marks and Meenaxi trades on Coca-Cola’s goodwill by misleading Indian-American consumers into believing that its beverages were the same as those sold by Coca-Cola in India. However, the CAFC observed, Coca-Cola failed to explain how its alleged reputational injury “affected its commercial interests other than to speculate that a consumer dissatisfied with Meenaxi’s products might blame Coca-Cola.”<sup>222</sup> In short, its claim (accepted by the TTAB) that the Indian-American community is aware of the THUMS UP and LIMCA marks was not supported by substantial evidence.

The Board’s conclusion that reputation of the THUMS UP and LIMCA marks would extend to the millions of Indian Americans appears to rest in part on an assumption that Indian Americans would necessarily be aware of the marks’ reputations in India. There is no basis to assume that an American of Indian descent is aware of brands in India. The Board did not consider what portion of Indian Americans had spent time in India, i.e., how many had visited India or lived in India. The Board’s conclusion relies at least in part on stereotyped speculation.<sup>223</sup>

Since Coca-Cola failed to prove that the reputation of its THUMS UP and LIMCA marks extended to the United States, it did not establish reputational injury in the United States.

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<sup>219</sup> *Id.* at \*7.

<sup>220</sup> *Id.*

<sup>221</sup> *Id.* The CAFC noted that “courts disagree regarding whether famous marks are entitled to protection from reputational injury in the United States even though the marks were used solely outside of this country.” See *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004) (recognizing exception to territoriality principle for famous marks); see also *Person’s*, 14 U.S.P.Q.2d at 1480 (recognizing some case law related to a famous-mark exception). But see *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 163-65 (2d Cir. 2007) (stating that in the Second Circuit it remains an open question whether such an exception could apply.).

<sup>222</sup> *Id.*

<sup>223</sup> *Id.* at \*8.

Unable to prove lost sales or reputational injury, Coca-Cola failed to prove that it had a cause of action under Section 14(3). Consequently, the court reversed the Board's decision.

Concurrence: Judge Reyna concurred in the majority's decision, but in his view the case is "governed by the territoriality principle."<sup>224</sup> He concluded that because Coca-Cola did not prove use of the THUMS UP and LIMCA mark in the United States, it failed to show the element of damage necessary for statutory standing.

As the majority acknowledges, Coca-Cola failed to establish any damage to goodwill associated with its use of the marks in U.S. commerce. And to the extent Coca-Cola relies on damage to its foreign trademark rights to establish statutory standing, the territoriality principle mandates that such an injury does not fall within the "zone of interests" that Congress intended to protect by enacting § 14 of the Lanham Act.<sup>225</sup>

Judge Reyna also agreed with the conclusion that Coca-Cola failed to establish standing because it failed to prove damage to its reputation among U.S. customers. However, he opined that, in view of the territoriality principle, protection of reputation without use requires invocation of the "well-known marks" exception to the territoriality principle. Since Coca-Cola disavowed reliance on that exception, the issue of reputation was "immaterial."<sup>226</sup>

#### 4. Section 2(f) Acquired Distinctiveness

##### *Galperti, Inc. v. Galperti S.r.l.*

The CAFC remanded this case to the TTAB for the second time, concluding again that the Board erred in dismissing Petitioner Galperti, Inc.'s ("Galperti-USA") claim of fraud. Respondent Galperti S.r.l. ("Galperti-Italy"), in seeking registration of the mark GALPERTI based on acquired distinctiveness under Section 2(f), averred that its use of the mark had been "substantially exclusive" for the five preceding years. Galperti-USA alleged that this averment was false and fraudulent in view of certain third-party uses. In the first appeal, the CAFC held that the Board erred in failing to consider, on the question of falsity, whether the use of GALPERTI by others was substantial or inconsequential.<sup>227</sup>

On remand, the Board found the third-party uses to be inconsequential and it therefore dismissed the fraud claim. The CAFC here concluded that the Board committed legal error when it

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<sup>224</sup> *Id.* at \*9.

<sup>225</sup> *Id.* at \*11.

<sup>226</sup> *Id.* at \*12.

<sup>227</sup> *Galperti, Inc. v. Galperti S.r.l.*, 791 Fed. Appx. 905, 2019 U.S.P.Q.2d 435065 (Fed. Cir. 2019).

ruled that (1) in order for Galperti-USA's own use of the mark to count on the issue of third-party use, it had to show that it had acquired rights in the GALPERTI mark via secondary meaning, and (2) Galperti-USA could not rely on certain third-party uses of GALPERTI because there was no proof of privity between Galperti-USA and those third-party users.<sup>228</sup>

There was no dispute that GALPERTI is primarily merely a surname, and so Galperti-Italy had to prove acquired distinctiveness in order to obtain its registration. Section 2(f) of the Lanham Act allows the USPTO to accept as prima facie evidence of acquired distinctiveness, "proof of substantially exclusive and continuous" use of the mark in commerce for the five years preceding the claim of distinctiveness.<sup>229</sup> In evaluating whether an applicant has had "substantially exclusive" use of a mark, the Board must consider whether "any use by a third party was 'significant,' or whether it was merely 'inconsequential or infringing.'"<sup>230</sup>

On the first remand, in finding that the third-party uses were inconsequential, not substantial, the Board declined to consider uses by Galperti-USA or by certain third parties not in privity with (although affiliated with) Galperti-USA in determining the falsity of Galperti-Italy's Section 2(f) claim. That was error.

The CAFC pointed out that "even marketplace uses of a term lacking secondary meaning for the users are among the uses" that must be taken into account in assessing whether a mark has been in "substantially exclusive" use.<sup>231</sup> In short, "Galperti-USA does not need to establish secondary meaning of its own uses of GALPERTI in order for those uses to be counted in determining the falsity of Galperti-Italy's claim of substantially exclusive use."<sup>232</sup>

The Board's ruling regarding privity between Galperti-USA and third-party users was also contrary to CAFC09 precedent.<sup>233</sup> "Use by anyone, regardless of relation to the challenger, may undercut a claim of substantially exclusive use. This straightforward point is reflected in our prior opinion in the present matter, where we said that 'any use by a third party' could be significant."<sup>234</sup>

The CAFC vacated the decision and remanded the case to the Board. "Further analysis of the falsity issue must proceed in the

<sup>228</sup> *Galperti, Inc. v. Galperti S.r.l.*, 17 F.4th 1144, 2021 U.S.P.Q.2d 1115 (Fed. Cir. 2021).

<sup>229</sup> Section 2(f) of the Lanham Act, 15 U.S.C. § 1052(f).

<sup>230</sup> *Galperti*, 2021 U.S.P.Q.2d 1115, at \*2, quoting *L.D. Kichler Co. v. Davoil*, 192 F.3d 1349, 52 U.S.P.Q.2d 1307, 1309 (Fed. Cir. 1999).

<sup>231</sup> *Id.* at \*4. See, e.g., *De Walt, Inc. v. Magna Power Tool Corp.*, 289 F.2d 656, 661 (C.C.P.A. 1961); *In re Boston Beer Co.*, 198 F.3d 1370, 53 U.S.P.Q.2d 1056, 1058 (Fed. Cir. 1999).

<sup>232</sup> *Id.* at \*5.

<sup>233</sup> *Id.*, citing *Otto Roth & Co. v. Universal Foods Corp.*, 640 F.2d 1317, 209 U.S.P.Q. 40, 43 (C.C.P.A. 1981); *Converse, Inc. v. Int'l Trade Comm'n*, 128 U.S.P.Q.2d 1538, 1547 (Fed. Cir. 2018).

<sup>234</sup> *Id.*, quoting *Galperti*, 2019 U.S.P.Q.2d 435065, at \*4.

absence of the legal errors we have identified. We do not address the intent aspect of the charge of fraud, which the Board has not addressed.”<sup>235</sup>

## 5. Constitutionality of ATJ Appointments

### *Piano Factory Group, Inc. v. Schiedmayer Celesta GmbH*

The CAFC resoundingly upheld the TTAB’s decision ordering cancellation of a registration for the mark SCHIEDMAYER for pianos on the ground of false suggestion of a connection under Section 2(a).<sup>236</sup> The appellate court first rejected Appellant Piano Factory’s challenge to the constitutionality of the appointment of TTAB Administrative Trademark Judges (“ATJs”), ruling that their appointments did not suffer from the defect that the Supreme Court recently fixed in *U.S. v. Arthrex* with regard to the administrative patent judges (“APJs”) of the Patent Trial and Appeal Board (“PTAB”).

**Constitutional Challenge:** Appellants contended that the ATJs who sat on the Board panel were appointed in violation of the Appointments Clause of Article II of the Constitution, and therefore the Board’s decision must be vacated. The Director of the USPTO intervened to argue that the appointments were lawful.

Piano Factory relied on *U.S. v. Arthrex, Inc.*,<sup>237</sup> wherein the Supreme Court held that APJs, because they exercised unreviewable authority in deciding ex parte review proceedings, were acting as “principal officers” of the United States. Under the U.S. Constitution, principal officers must be appointed by the President and confirmed by the Senate, and since APJs were not so appointed and confirmed, they were acting unlawfully. Here, Piano Factory argued that the ATJs were likewise principal officers of the United States, and were likewise unconstitutionally appointed.

In *Arthrex*, the Supreme Court solved the problem by striking down the provision of the Patent Act (in particular, 35 U.S.C. § 6(c)) that insulated PTAB decisions from review by the Director of the USPTO. The Court observed that this approach would “follow the almost-universal model of adjudication in the Executive Branch” and “aligns the PTAB with the other adjudicative body in the PTO, the Trademark Trial and Appeal Board.”<sup>238</sup> The CAFC observed that

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<sup>235</sup> *Id.* On this second remand, the Board dismissed the fraud claim, finding that Galperti-USA failed to prove that Galperti-Italy’s averment of “substantially exclusive and continuous” use was false, and in any case, it failed to prove that Galperti-Italy had an intention to deceive the USPTO. *Galperti, Inc. v. Galperti S.r.l.*, Cancellation No. 92057016 (T.T.A.B. September 30, 2022).

<sup>236</sup> *Piano Factory Grp., Inc. v. Schiedmayer Celesta GmbH*, 11 F.4th 1363, 2021 U.S.P.Q.2d 913 (Fed. Cir. 2021).

<sup>237</sup> 141 S. Ct. 1970, 2021 U.S.P.Q.2d 662 (2021).

<sup>238</sup> *Piano Factory*, 2021 U.S.P.Q.2d 913, at \*5, quoting *Arthrex*, 141 S. Ct. at 1987.

the Court “thus effectively confirmed that in light of the Director’s authority over decisions of the TTAB, the statutory scheme governing TTAB decision-making is not subject to the Appointments Clause problem the Court identified with regard to the PTAB.”<sup>239</sup>

Moreover, the role of the PTO Director was addressed in the Trademark Modernization Act of 2020 (“TMA”),<sup>240</sup> which explicitly confirmed the Director’s authority to review decisions of the TTAB. “The current trademark statutes plainly render the ATJs ‘inferior officers,’ making their appointments by the head of a department, i.e., the Secretary of Commerce, lawful.”<sup>241</sup>

The Board, however, decided the instant cancellation proceeding in 2019, prior to enactment of the TMA. The CAFC pointed out that the Director, by reason of the Intellectual Property and Communications Omnibus Reform Act of 1999,<sup>242</sup> “has for more than twenty years had the authority to direct that any Board case be decided by a single member of the TTAB, either initially or on rehearing.”<sup>243</sup> Since the Director is a standing member of the TTAB, “he enjoys the authority to designate himself as the sole member of a TTAB rehearing panel, thereby allowing him to review and reverse decisions of a panel of ATJs.”<sup>244</sup>

The end result of the Court’s decision in *Arthrex* was to create a regime very similar to the trademark statutory scheme in place as of 2019. There was at that time no limitation on the composition of TTAB panels, see 15 U.S.C. § 1067, and the Director had broad authority to control TTAB proceedings, see *id.* § 1123 (2000 ed.). The Supreme Court held highly similar conditions sufficient to render APJs inferior officers despite the “shall issue and publish” language of section 318(b). The same result necessarily follows with respect to ATJs and the language of 15 U.S.C. § 1092 (2006 ed.).<sup>245</sup>

And so, the CAFC rejected Piano Factory’s challenge to the legitimacy of the TTAB panel that decided this case.

**False Suggestion of a Connection:** The CAFC ruled that the TTAB had properly applied the four-factor test for determining whether a registration should be canceled under Section 2(a)<sup>246</sup>

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<sup>239</sup> *Id.*

<sup>240</sup> Pub. L. No. 116-260, div. Q, tit. II, subtit. B, § 228, 134 Stat. 1182, 2209-10.

<sup>241</sup> *Piano Factory*, 2021 U.S.P.Q.2d 913, at \*5.

<sup>242</sup> Pub. L. No. 106-113, div. B, app. I, tit. IV, § 4716, 113 Stat. 1501, 1501A-580 (1999 amendment).

<sup>243</sup> *Piano Factory*, 2021 U.S.P.Q.2d 913, at \*6.

<sup>244</sup> *Id.*

<sup>245</sup> *Id.* at \*7.

<sup>246</sup> The four factors, as related to goods, have been identified as follows:

(1) The mark is the same as, or a close approximation of, the name or identity previously used by another person;



because the registered mark falsely suggests a connection with another person or entity. It saw no error in the Board's finding that the name "Schiedmayer" points uniquely and unmistakably to the appellee, and it concluded that substantial evidence supported the Board's findings that the Schiedmayer name enjoyed fame and reputation in the field of keyboard instruments, that the similarity between pianos and celestas<sup>247</sup> "exacerbates the false connection"<sup>248</sup> between the registered mark and Schiedmayer, and that Piano Factory intended to create a connection with appellee.

In affirming the Board's decision, the CAFC summed up its view of the case in the following pointed statement:

Taking a step back from the doctrinal principles discussed above, a fair characterization of what has gone on in this case is that Sweet 16 has falsely labeled its pianos with a German-sounding name to suggest that its pianos are high-quality European instruments, rather than lower quality instruments made elsewhere. And in so doing, Sweet 16 has not chosen just some arbitrary German-sounding name to stencil on its no-name pianos. Instead, it has chosen a name long associated with a German manufacturer of high-end keyboard instruments, a manufacturer that still produces celestas. The inference is inescapable that Sweet 16 is attempting to take advantage of the reputation of Schiedmayer products by suggesting that its Schiedmayer-branded pianos were made by a Schiedmayer company and can therefore be assumed to be of high quality. That is the essence of "falsely suggest[ing] a connection" with another entity under section 2(a) of the Lanham Act. To put the matter succinctly, as the Second Circuit did more than a century ago, "No one has a right to apply another's name to

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(2) the mark would be recognized as pointing uniquely and unmistakably to that person;

(3) the person named by the mark or using the mark is not connected with the activities performed by the applicant under the mark; and

(4) the prior user's name or identity is of sufficient fame or reputation that a connection with the person would be presumed when the applicant's mark is used to identify the applicant's goods.

*Id.* at \*11, quoting *In re Jackson*, 103 U.S.P.Q.2d 1417, 1419 (T.T.A.B. 2012); see *In re Wielinski*, 49 U.S.P.Q.2d 1754, 1757 (T.T.A.B. 1998); J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 19:76 (5th ed. 2021).

<sup>247</sup> A celesta is similar to a piano, but the celesta keys, rather than striking wires, strike a metal plate to make sounds. According to Wikipedia, "[o]ne of the best-known works that uses the celesta is Pyotr Ilyich Tchaikovsky's 'Dance of the Sugar Plum Fairy' from The Nutcracker." Celesta, Wikipedia, <https://en.wikipedia.org/wiki/Celesta> (last visited Oct. 20, 2020).

<sup>248</sup> *Piano Factory*, 2021 U.S.P.Q.2d 913, at \*11.

his own goods.” *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 410 (2d Cir. 1917).<sup>249</sup>

## ***B. Trademark Trial and Appeal Board***

### **1. Section 2(d) Likelihood of Confusion**

#### *Sabhnani v. Mirage Brands, LLC*

In a rare case of reverse confusion, the Board ruled that confusion is likely between Respondent Mirage Brands’ registered marks MIRAGE BRANDS (standard form) and MIRAGE BRANDS & Design (below left) [BRANDS disclaimed], and Petitioner Mahender Sabhnani’s previously used and registered mark ROYAL MIRAGE & Design (below right), all for perfume.<sup>250</sup> Finding that “Respondent’s presence in the marketplace is considerably greater than that of Petitioner,” the Board saw “a circumstance of reverse confusion in which consumers exposed to Respondent’s marks for perfumes who encounter Petitioner’s mark for perfume are likely to believe mistakenly that Petitioner’s goods originate with Respondent.”<sup>251</sup>



Priority: “In a cancellation proceeding . . . where both parties own registrations, priority is in issue.”<sup>252</sup> The earliest date on which Respondent Mirage could rely was November 23, 2016, the filing date of its underlying applications. Sabhnani had an October 27, 2000, filing date for his underlying application and thus he established priority of use.

<sup>249</sup> *Id.* at \*16.

<sup>250</sup> *Sabhnani v. Mirage Brands, LLC*, 2021 U.S.P.Q.2d 1241 (T.T.A.B. 2021).

<sup>251</sup> *Id.* at \*49.

<sup>252</sup> *Id.* at \*15, quoting *Double Coin Holdings, Ltd. v. Tru Development*, 2019 U.S.P.Q.2d 377409, at \*4 (T.T.A.B. 2019).

Reverse Confusion: The Board observed that weighing of the *DuPont* factors “must take into account the confusion that may flow from extensive promotion of a similar or identical mark by a junior user.”<sup>253</sup>

The term “reverse confusion” has been used to “describe the situation where a significantly larger or more prominent newcomer “saturates the market” with a trademark that is confusingly similar to that of a smaller, senior registrant for related goods or services.”<sup>254</sup>

The Board noted that Sabhnani did not expressly plead reverse confusion, but it “does not have to be specifically pleaded so long as the plaintiff asserts that the respective marks are so similar as applied to the respective goods or services as to be likely to cause confusion.”<sup>255</sup> The Board is “obligated to consider confusion in whatever manner it presents itself under Trademark Act Section 2(d).”<sup>256</sup>

Mirage’s sales figures were “multiple orders of magnitude larger than Sabhnani’s sales figures for the same period,” suggesting that “it is far more likely that consumers will be exposed to Respondent’s marks than to Petitioner’s mark.”<sup>257</sup>

*DuPont* analysis: Since the involved goods are identical, the second *DuPont* factor weighed heavily in Sabhnani’s favor. As to the third and fourth factors, absent any limitations in the identifications of the goods, the Board must presume that those identical goods travel in the same channels of trade to the same classes of consumers.<sup>258</sup>

Turning to the sixth factor, Mirage argued that Sabhnani’s mark is weak because the word “MIRAGE” is in common use for goods in International Class 3. The Board confirmed that third-party use evidence is relevant to the commercial strength of Sabhnani’s mark, but the probative value of that evidence depends upon the usage of the mark. Mirage provided evidence of use of only one third-party mark for perfume, clearly insufficient to show commercial weakness of Sabhnani’s mark.<sup>259</sup>

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<sup>253</sup> *Id.* at \* 17, quoting *In re Shell Oil Co.*, 992 F.2d 1204, 26 U.S.P.Q.2d 1687, 1690 (Fed. Cir. 1993).

<sup>254</sup> *Id.*, quoting *Shell Oil*, 26 U.S.P.Q.2d at 1690.

<sup>255</sup> *Id.* n.16, quoting *Top Tobacco LP v. N. Atl. Operating Co.*, 101 U.S.P.Q.2d 1163, 1175 n.18 (T.T.A.B. 2011).

<sup>256</sup> *Id.*

<sup>257</sup> *Id.* at \*18.

<sup>258</sup> *Id.* at \*20-21, citing *In re Viterra Inc.*, 671 F.3d 1358, 101 U.S.P.Q.2d 1905, 1908 (Fed. Cir. 2012) (“[A]bsent restrictions in the application and registration, [identical] goods and services are presumed to travel in the same channels of trade to the same class of purchasers.”).

<sup>259</sup> *Id.* at \*23-24.

As to third-party registration evidence—which may affect only the conceptual strength of a mark<sup>260</sup>—only six of the eight registrations cited by Mirage covered “perfume” or “colognes.” Moreover, the registered marks—HOLLISTER JASMINE MIRAGE, MIRAGE LAYON, DESERT MIRAGE, RADIANT MIRAGE, GOLD MIRAGE, AND SHINE MIRAGE—include additional elements that may cause them to be less similar to Sabhnani’s mark than are Mirage’s marks.<sup>261</sup>

The Board concluded that Mirage’s evidence, comprising one third-party use and six third-party registrations of “varying probative value,” was “a far cry from the large quantum of evidence of third-party use and third-party registrations that was held to be significant in both’ *Jack Wolfskin* and *Juice Generation*.”<sup>262</sup> Accordingly, the Board found the sixth *DuPont* factor to be neutral and it accorded Sabhnani’s mark “the normal scope of protection to which inherently distinctive marks are entitled.”<sup>263</sup>

Comparing the Marks: Because the goods under consideration are identical, a lesser degree of similarity between the marks is necessary to support a finding of likelihood of confusion.<sup>264</sup>

Observing that in a word-and-design mark, the verbal portion is “likely to make a greater impression upon purchasers, to be remembered by them, and to be used by them to request the goods,”<sup>265</sup> the Board found that the term “ROYAL MIRAGE” is the dominant portion of Sabhnani’s mark, noting that the surrounding design is an ordinary geometric shape and the crown design “merely reinforces the words.”<sup>266</sup> As to Mirage’s marks, the Board found the word “MIRAGE” to be the dominant element in each: the word “BRANDS” has no source-identifying significance in the standard character mark, and in the word-and-design mark the stylized “M”

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<sup>260</sup> *Id.* at \*24.

<sup>261</sup> *Id.* at \*25 *Cf. In re Inn at St. John’s*, 126 U.S.P.Q.2d 1742, 1745 (T.T.A.B. 2018) (discounting probative value of third-party registrations “contain[ing] the non-identical term ‘Fifth’” in showing that the cited registered mark 5IVESTEAK was weak).

<sup>262</sup> *Id.* at \*25-26, quoting *St. John’s*, 126 U.S.P.Q.2d at 1745. *See Jack Wolfskin Ausrüstung Fur Draussen GmbH & Co. v. Millennium Sports, S.L.U.*, 797 F.3d 1363, 116 U.S.P.Q.2d 1129, 1136 (Fed. Cir. 2015), and *Juice Generation, Inc. v. GS Enters. LLC*, 794 F.3d 1334, 115 U.S.P.Q.2d 1671, 1674 (Fed. Cir. 2015) (“extensive evidence” of third-party registration and use of similar marks was deemed “powerful on its face.”). In *Jack Wolfskin*, the Board considered evidence of at least 14 third-party registrations and uses, and in *Juice Generation* there was evidence of 26 registrations and uses.

<sup>263</sup> *Id.* at \*26, citing *Bell’s Brewery, Inc. v. Innovation Brewing*, 125 U.S.P.Q.2d 1340, 1347 (T.T.A.B. 2017).

<sup>264</sup> *Id.* at \*27, citing *Coach Servs. Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 101 U.S.P.Q.2d 1713, 1721 (Fed. Cir. 2012); *Century 21 Real Estate Corp. v. Century Life of Am.*, 970 F.2d 874, 23 U.S.P.Q.2d 1698, 1700 (Fed. Cir. 1992); *New Era Cap Co. v. Pro Era, LLC*, 2020 U.S.P.Q.2d 10596, at \*14 (T.T.A.B. 2020).

<sup>265</sup> *Id.* at \*31. *See, e.g., In re Aquitaine Wine USA, LLC*, 126 U.S.P.Q.2d 1181, 1184 (T.T.A.B. 2018), citing *Viterra*, 101 U.S.P.Q.2d at 1908.

<sup>266</sup> *Id.* at \*32.

primarily reinforces the first letter in the word “MIRAGE.” As to the design elements in the marks:

Respondent’s composite mark displays the word MIRAGE above the word BRANDS in much larger letters, and beneath a design element that serves, in the context of the composite mark, to reinforce the leading letter “M” in MIRAGE. Petitioner’s mark similarly displays the dominant words ROYAL MIRAGE beneath a design element that serves to reinforce the laudatory connotation of ROYAL. The parties’ composite marks thus resemble one another visually.<sup>267</sup>

The Board therefore found the involved marks to be more similar than dissimilar.

As to connotation and commercial impression, the Board gave less weight to the laudatory adjective ROYAL than to the noun MIRAGE. Observing that a consumer “could readily view [Sabhnani’s] mark as identifying a particular perfume figuratively “suitable for royalty” that emanates from Respondent’s MIRAGE BRANDS ‘house.’”<sup>268</sup>

The Board concluded that the similarities between the marks in appearance, sound, meaning, and commercial impression outweighed their differences.

Other *DuPont* Factors: Because the parties’ identifications of goods cover “perfume” without limitation as to nature or price, the Board must presume that the goods include inexpensive perfumes bought by ordinary consumers, without careful consideration: for example, via the Internet.<sup>269</sup>

Turning to the eighth factor, Petitioner Sabhnani claimed that actual confusion had occurred, but his evidence was unimpressive. He received telephone calls inquiring whether MIRAGE BRANDS was related to ROYAL MIRAGE, but the Board observed that these calls do not constitute evidence of actual confusion because the inquirer suspected that the brands were not related. Sabhnani could not identify any caller or specify the dates of the calls, and his testimony was “vague in every respect.”<sup>270</sup>

The absence of reported incidents of actual confusion is probative “only if the record indicates appreciable and continuous use by [Respondent] of its mark[s] for a significant period of time in the same markets as those served by [Petitioner] under [his]

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<sup>267</sup> *Id.* at \*35.

<sup>268</sup> *Id.* at \*39. *Cf.* Joel Gott Wines, LLC v. Rehoboth Von Gott, Inc., 107 U.S.P.Q.2d 1424, 1433 (T.T.A.B. 2013) (“Purchasers of opposer’s GOTT and JOEL GOTT wines are likely to assume that applicant’s goods, sold under the mark GOTT LIGHT and design, are merely a line extension of goods emanating from opposer.”).

<sup>269</sup> *Id.* at \*42, citing *In re i.am.symbolic, llc*, 116 U.S.P.Q.2d 1406, 1413 (T.T.A.B. 2015), *aff’d*, 866 F.3d 1315, 123 U.S.P.Q.2d 1744 (Fed. Cir. 2017).

<sup>270</sup> *Id.* at \*45.

mark[ ].”<sup>271</sup> “In other words, for the absence of actual confusion to be probative, there must have been a reasonable opportunity for confusion to have occurred.”<sup>272</sup>

The Board pointed out that, unlike the analysis under the second, third, and fourth *DuPont* factors, the Board must consider the actual marketplace conditions to determine whether a reasonable opportunity for confusion has occurred. The Board concluded that, in light of the differing channels of trade employed by the parties, and the “very low” level of petitioner’s sales (\$6,246 gross sales in 2019), there had not been a reasonable opportunity for confusion to occur during the four years of concurrent use of the parties’ marks.<sup>273</sup> Therefore, the eighth *DuPont* factor was neutral.

Finding that the first, second, third, and fourth *DuPont* factors weighed in Petitioner Sabhnani’s favor, while the sixth, seventh, and eighth factors were neutral, the Board concluded that Sabhnani proved by a preponderance of the evidence that confusion is likely, and it granted the petitions for cancellation.

*Illyrian Import, Inc. v. ADOL Sh.p.k.*

This TTAB battle featured two companies wrestling over rights to the same marks for Albanian brandy. Applicant ADOL sought to register the marks SKËNDERBEU and GJERGJ KASTRIOTI SKËNDERBEU (stylized) for “beverages from wine distillates, namely, brandy and grape brandy.” Illyrian Import opposed on the grounds of fraud and likelihood of confusion with the previously used mark GJERGJ KASTRIOTI SKËNDERBEU for liquor, including brandy. The Board dismissed both claims.<sup>274</sup>

GJERGJ KASTRIOTI  
Skënderbeu

Priority: ADOL proved that it first used the subject marks in the United States in April 2004. Illyrian Import claimed to be the exclusive authorized distributor and brand agent of a company

<sup>271</sup> *Id.* at \*47, quoting *Citigroup Inc. v. Capital City Bank Grp., Inc.*, 94 U.S.P.Q.2d 1645, 1660 (T.T.A.B. 2010), *aff’d*, 637 F.3d 1344, 98 U.S.P.Q.2d 1253 (Fed. Cir. 2011).

<sup>272</sup> *Id.*, quoting *Citigroup*, 94 U.S.P.Q.2d at 1660.

<sup>273</sup> *Id.* at \*49.

<sup>274</sup> *Illyrian Import, Inc. v. ADOL Sh.p.k.*, 2022 U.S.P.Q.2d 292 (T.T.A.B. 2022). Opposer’s fraud claim is discussed in Part II.B.3, below.

(“GKS”) that continuously sold GJERGJ KASTRIOTI SKËNDERBEU and SKËNDERBEU brandy in the United States since 2002. Illyrian began distributing the products in 2016 and established a first use date of July 31, 2016.

The Board, relying on *Moreno v. Pro Boxing Supplies, Inc.*,<sup>275</sup> ruled that Illyrian could not rely on GKS’s use of the marks to prove priority. In *Moreno*, the Board held that, although exclusive licensee Julie Moreno established entitlement to a statutory cause of action, she could not prove priority based on use of the mark at issue by her licensor because that would “improperly recognize trademark ownership rights in a licensee.”<sup>276</sup>

Here, as in *Moreno*, the written agreement between Illyrian and GKS did not give Illyrian any ownership interest in the marks, but only a license permitting it to use the marks as the distributor of the brandy. The Board also pointed out that “as between a manufacturer and distributor, the manufacturer is presumed to own a trademark applied to the goods.”<sup>277</sup>

Illyrian argued that its agreement with GKS gave it the power and authority to assert the trademark rights of GKS. The Board, however, ruled that this authorization provided only an additional basis for Illyrian to establish its entitlement to file an opposition. However, *Moreno* forecloses the argument that Illyrian may rely on this provision to prove priority.

Opposer argues, in essence, that as the distributor/licensee, it is entitled to rely on its supplier/licensor’s use to prove priority (i.e., that the licensor’s use inures to the benefit of the licensee) but that would be akin to claiming a transfer of ownership and there has been no such transfer between Opposer and GKS. GKS and Opposer cannot contract around the legal principle that a licensor’s use does not inure to the benefit of the licensee.<sup>278</sup>

Opposer Illyrian was thus unable to prove priority, resulting in dismissal of its Section 2(d) claim.

### *Made in Nature, LLC v. Pharmavite LLC*

In a dubiously precedential decision, the Board sustained three oppositions to registration of the mark NATURE MADE for various foods and beverages, including fruit juice and snack bars containing dried fruits, on the ground of likelihood of confusion with the

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<sup>275</sup> 124 U.S.P.Q.2d 1028 (T.T.A.B. 2017).

<sup>276</sup> *Illyrian Import*, 2022 U.S.P.Q.2d 292, at \*25, citing *Moreno*, 124 U.S.P.Q.2d, at 1036. See also *Chem. N.Y. Corp. v. Conmar Form Sys., Inc.*, 1 U.S.P.Q.2d 1139, 1142 (T.T.A.B. 1986).

<sup>277</sup> *Id.* at \*26, quoting *Fuji Med. Instruments Mfg. Co. v. Am. Crocodile Int’l Grp., Inc.*, 2021 U.S.P.Q.2d 831, at \*18 (T.T.A.B. 2021).

<sup>278</sup> *Id.* at \*28.

registered mark MADE IN NATURE for dried fruits and vegetables, snack products, and fresh fruit. The Board took the parties to task for various procedural/evidentiary missteps, tossed out Applicant Pharmavite's *Morehouse* defense, and painstakingly applied the *DuPont* factors to find the opposer's mark NATURE MADE conceptually weak but commercially moderately strong, the involved marks highly similar, the goods overlapping or related, and the channels of trade and classes of consumers identical or overlapping.<sup>279</sup>

**Procedural/Evidentiary Missteps:** The Board chastised the parties for over-designating documents and testimony as confidential, filing duplicative evidence by different methods of introduction (e.g., via notice of reliance and again via exhibits to deposition testimony), submitting unnecessary and unrelated portions of deposition transcripts, creating an inappropriately large record ("Judges are not like pigs, hunting for truffles buried in . . . [the record]"<sup>280</sup>), and inadequately referencing the pages of TTAB docket entries.

***Morehouse* Defense:** Pharmavite raised the (typically useless) *Morehouse*<sup>281</sup> defense in its brief, but the Board found that the opposer had not been put on proper notice of the defense and further that the issue was not tried by implied consent. In any case, the *Morehouse* defense—which holds that an opposer cannot be damaged if the applicant already owns a registration for the same mark for the same goods<sup>282</sup>—did not apply here because the goods in Pharmavite's existing registrations (supplements) were not identical or substantially the same as those here involved.

**Likelihood of Confusion:** The Board began with a consideration of the strength of the opposer's MADE IN NATURE mark. As to inherent or conceptual strength, the Board whittled down Pharmavite's third-party registration evidence to a mere ninety registrations for marks that include MADE or NATURE for goods related to the opposer's products, but only eight of those marks included both words. Nonetheless, the Board found that MADE IN NATURE is highly suggestive. As to commercial strength, Pharmavite did not provide any evidence of use of similar marks for similar goods. The opposer's evidence established that its marks have acquired marketplace recognition, albeit not fame, and have moderate commercial strength.

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<sup>279</sup> *Made in Nature, LLC v. Pharmavite LLC*, 2022 U.S.P.Q.2d 557 (T.T.A.B. 2022).

<sup>280</sup> *Id.* at \*14, quoting *RxD Media, LLC v. IP Application Dev. LLC*, 125 U.S.P.Q.2d 1801, 1803 (T.T.A.B. 2018).

<sup>281</sup> *Morehouse*, 160 U.S.P.Q. at 717.

<sup>282</sup> One might ask, why would the applicant need another identical registration?



The Board found the marks to be “highly similar” in appearance, sound, meaning, and commercial impression.<sup>283</sup> Some of the goods in Pharmavite’s applications were identical to or encompassed within those of the opposer’s registrations, and others were similar or related. There was no evidence supporting Pharmavite’s claim that the goods would be purchased with more than ordinary care.

Purchasers of Opposer’s MADE IN NATURE products are members of the general public who do not typically spend much time making purchasing decisions for these types of products, who make their purchasing decisions for these products without the assistance of others (such as seller representatives), and often on impulse. The extent of potential confusion, should Applicant’s opposed Applications be allowed to proceed to registration, is significant.<sup>284</sup>

The Board therefore sustained the opposition.

## 2. Section 43(c) Dilution by Blurring

*Spotify AB v. U.S. Software, Inc.*

In a rare dilution ruling, the Board sustained this opposition to registration of the mark POTIFY, in standard character and word-plus-design form, for clothing and for software and services related to medical marijuana dispensaries, on the ground of dilution by blurring of the famous, registered mark SPOTIFY for downloadable software and online services.<sup>285</sup> The Board found the mark SPOTIFY to be “as famous as marks come” and dilution not just likely but “inevitable.”<sup>286</sup>



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<sup>283</sup> *Made in Nature*, 2022 U.S.P.Q.2d 557, at \*43.

<sup>284</sup> *Id.* at \*64.

<sup>285</sup> *Spotify AB v. U.S. Software, Inc.*, 2022 U.S.P.Q.2d 37 (T.T.A.B. 2022).

<sup>286</sup> *Id.* at \*37.

Opposer Spotify, a Swedish company known for its music-streaming services, alleged dilution of its SPOTIFY mark both by blurring and by tarnishment, but the Board ruled only on the former ground. It also declined to reach Spotify's likelihood of confusion claim.

To prevail on its dilution claims, Spotify was required to show that:

- (1) it owns a famous mark that is distinctive; (2) Applicant is using a mark in commerce that allegedly dilutes Opposer's famous mark; (3) Applicant's use of its mark began after Opposer's became famous; and (4) Applicant's use of its mark is likely to cause dilution by blurring or tarnishment.<sup>287</sup>

There was no dispute that the mark SPOTIFY is inherently distinctive. As to whether the mark is famous for dilution purposes, the Board considers the following factors set forth in Section 43(c)(2)(a) of the Lanham Act:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>288</sup>

The Board found Spotify's advertising and publicity-related evidence to be "overwhelming."<sup>289</sup> Its sales of goods and services were "quite significant"<sup>290</sup> even prior to the applicant's first use date in January 2017. As to actual recognition, the Board concluded that "[i]t would be difficult to overstate the extent of public recognition of the SPOTIFY mark."<sup>291</sup> The mark has been registered and the registration is "incontestable."<sup>292</sup>

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<sup>287</sup> *Id.* at \*20-21, citing *N.Y. Yankees P'ship v. IET Prods. & Servs., Inc.*, 114 U.S.P.Q.2d 1497, 1502 (T.T.A.B. 2015).

<sup>288</sup> *Id.* at \*21-22, quoting Section 43(c)(2)(A) of the Lanham Act, 15 U.S.C. § 1125(c)(2)(A).

<sup>289</sup> *Id.* at \*22.

<sup>290</sup> *Id.* at \*23.

<sup>291</sup> *Id.* at \*24.

<sup>292</sup> *Id.* at \*25. By calling the SPOTIFY registration "incontestable," the Board apparently meant that the registration is beyond its fifth anniversary and thus immune to cancellation except upon limited grounds. See Section 14 of the Lanham Act, 15 U.S.C. § 1064. Note that Section 15 of the Lanham Act provides that the exclusive right to use a mark may become incontestable, but the Act makes no mention of "incontestable" registrations.

The Board therefore concluded that SPOTIFY “is exceedingly famous, and entitled to protection against dilution under 15 U.S.C. § 1125(c).”<sup>293</sup>

Applicant U.S. Software primarily argued that the mark SPOTIFY was not famous prior to its first use date in 2017, but the Board saw no question that the mark was famous well before 2017, and has become even more famous since.

Turning to the question of whether U.S. Software’s use of the POTIFY mark is likely to cause dilution by blurring, the Board considered the six factors set out in Section 43(c)(2)(B)(i-vi) of the Lanham Act:

- (i) the degree of similarity between Applicant’s mark and Opposer’s famous mark;
- (ii) the degree of inherent or acquired distinctiveness of Opposer’s mark;
- (iii) the extent to which Opposer is engaging in substantially exclusive use of its mark;
- (iv) the degree of recognition of Opposer’s mark;
- (v) whether Applicant intended to create an association with Opposer’s SPOTIFY mark; and
- (vi) any actual association between Applicant’s mark and Opposer’s mark.<sup>294</sup>

The Board found the marks POTIFY and SPOTIFY to be “strikingly similar” in appearance, sound, connotation, and commercial impression.<sup>295</sup> U.S. Software’s word-plus-design mark is dominated by the word “POTIFY.” Neither “SPOTIFY” nor “POTIFY” has any meaning. The marks are used for software products that “perform analogous functions”: they “allow[ ] users to search for and obtain information (digital music and other digital content in Opposer’s case and details about medical marijuana dispensaries in Applicant’s case).”<sup>296</sup>

In short, we find that the marks are highly similar in their entirety, and that Applicant’s mark will “trigger consumers to conjure up” Opposer’s famous mark. This weighs in favor of finding dilution by blurring.<sup>297</sup>

The SPOTIFY mark is “nothing if not distinctive.”<sup>298</sup> It is a coined, fanciful term registered on the Principal Register without a

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<sup>293</sup> *Id.*

<sup>294</sup> *Id.* at \*28-29, citing Section 43(c)(2)(B)(i-vi) of the Lanham Act, 15 U.S.C. § 1125(c)(2)(B)(i-vi).

<sup>295</sup> *Id.* at \*29.

<sup>296</sup> *Id.* at \*31-32.

<sup>297</sup> *Id.* at \*32.

<sup>298</sup> *Id.*

Section 2(f) claim. SPOTIFY is “among the most highly recognized marks in the United States.”<sup>299</sup>

There was no evidence that the opposer’s use of the SPOTIFY mark was “anything other than exclusive.”<sup>300</sup> Moreover, Spotify has been vigorous in enforcing its rights in the mark. As previously discussed, “few marks are as widely recognized in the United States as SPOTIFY.”<sup>301</sup> That factor weighed heavily in favor of the finding of dilution by blurring.

U.S. Software claimed that its choice of the mark POTIFY had nothing to do with the opposer or the SPOTIFY mark, but the Board concluded otherwise. Both the founder and the chief operating officer of U.S. Software were longtime SPOTIFY users prior to choosing the POTIFY mark.

It defies logic and common sense that a longtime, frequent SPOTIFY user, and another longtime SPOTIFY user, jointly came up with the highly similar name POTIFY without intending to, or knowing that other users of the incredibly popular SPOTIFY service would, associate POTIFY with SPOTIFY. The leap in logic and common sense Applicant asks us to take here is even more incredible when we consider that the POTIFY software and services perform many of the same functions as the SPOTIFY software and services, albeit in connection with marijuana rather than music.<sup>302</sup>

In any case, the Board observed that even if it accepted U.S. Software’s claim of innocent adoption, that would not change the ultimate result here.<sup>303</sup>

Finally, although the Board found that the POTIFY mark would “conjure up” the famous SPOTIFY mark, there was no direct evidence of actual association of the POTIFY mark with SPOTIFY.<sup>304</sup> The Board therefore deemed this factor neutral.

In sum, the Board ruled that use of the POTIFY mark will impair the distinctiveness of the SPOTIFY mark.

There is no question that SPOTIFY is as famous as marks come, that SPOTIFY goods and services are widely used and recognized by a large percentage of the United States population, or that Opposer’s SPOTIFY mark is highly distinctive. This was the case prior to Applicant’s claimed

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<sup>299</sup> *Id.* at \*33.

<sup>300</sup> *Id.* at \*34.

<sup>301</sup> *Id.* at \*34-35.

<sup>302</sup> *Id.*

<sup>303</sup> *Id.* at \*35.

<sup>304</sup> *Id.* at \*36, quoting *N.Y. Yankees P’ship v. IET Prods. & Servs., Inc.*, 114 U.S.P.Q.2d 1497, 1507 (T.T.A.B. 2015).

date of first use of its mark. Moreover, there is no evidence that any United States marks come as close to SPOTIFY as Applicant's POTIFY mark. Opposer is understandably concerned . . . and, although we need only find likely dilution, we find it inevitable that POTIFY "will diminish [SPOTIFY's] distinctiveness."<sup>305</sup>

### 3. Fraud

*Fuji Medical Instruments Manufacturing Co., Ltd. v.  
American Crocodile International Group, Inc.*

For only the second time since the CAFC's 2009 decision in *In re Bose*,<sup>306</sup> the Board upheld a claim of fraud, ordering cancellation of a registration for the mark FUJIIRYOKI for massage chairs. William Shen, the CEO of Respondent ACIGI, filed the underlying application and then assigned the registration to ACIGI soon after issuance. The Board found that Shen knew he was not the owner of the mark, that his false statement of ownership was material to the issuance of the registration, and that he intended to deceive the USPTO.<sup>307</sup>

Petitioner Fuji is a Japanese company that has made and sold massage chairs since 1954 and has exported them to the United States since at least 1968. Respondent ACIGI became Fuji's exclusive U.S. distributor in 2005 and was still in that role when Mr. Shen filed the underlying trademark application in 2015 in his own name, the application being signed by Mr. Shen's attorney.

Fraud in the procurement (or maintenance) of a trademark registration occurs when an applicant or registrant makes a false representation of a material fact with the intent of obtaining or maintaining a registration to which it is otherwise not entitled.<sup>308</sup> A party alleging fraud must prove the claim by clear and convincing evidence.<sup>309</sup>

The Board observed that, between a manufacturer and a distributor, the manufacturer is presumed to own the trademark

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<sup>305</sup> *Id.* at \*37.

<sup>306</sup> *In re Bose Corp.*, 580 F.3d 1240, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009).

<sup>307</sup> *Fuji Medical Instruments Mfg. Co., Ltd. v. American Crocodile Int'l Grp., Inc.*, 2021 U.S.P.Q.2d 831 (T.T.A.B. 2021).

<sup>308</sup> *Bose*, 91 U.S.P.Q.2d at 1939-40; *Nationstar Mortg. LLC v. Ahmad*, 112 U.S.P.Q.2d 1361, 1365 (T.T.A.B. 2014). The *Nationstar* decision was the Board's first fraud finding since *Bose*.

<sup>309</sup> *Bose*, 91 U.S.P.Q.2d at 1939.

that is applied to the goods.<sup>310</sup> That presumption is rebuttable.<sup>311</sup> When considering whether the presumption has been rebutted, the following factors are relevant:

- (1) which party created and first affixed the mark to the product;
- (2) which party's name appeared with the trademark on packaging and promotional materials;
- (3) which party maintained the quality and uniformity of the product, including technical changes;
- (4) which party does the consuming public believe stands behind the product, e.g., to whom customers direct complaints and turn to for correction of defective products;
- (5) which party paid for advertising; and
- (6) what a party represents to others about the source or origin of the product.<sup>312</sup>

Applying that framework, the Board found that Fuji created the mark and applied it to the goods. Fuji was "routinely represented to consumers as the source of the goods."<sup>313</sup> Fuji arranged for repair of broken chairs, supplying ACIGI with replacement parts and technical training. Although ACIGI did pay for most of the advertising, that is not surprising when the manufacturer "is based in Japan and had little experience with the U.S. market."<sup>314</sup> The Board concluded that Fuji was the owner of the mark.

Mr. Shen claimed that he had written permission to file the application, but no evidence thereof was submitted. Shen also claimed he had verbal permission, but the Board found his testimony not credible. And Shen claimed that Fuji had abandoned the mark, since a prior registration and application by Fuji had lapsed. The Board pointed out, however, that a mark is not abandoned just because a registration or application lapses. Moreover, Shen's assertion that Fuji abandoned the mark while ACIGI was selling its chairs "defies logic and the law [and] strains credulity."<sup>315</sup>

The underlying application falsely stated that Shen "owned the mark and was not aware of anyone else who had a claim to the

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<sup>310</sup> J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:8 (5th ed. 2021). *See also* *Nahshin v. Prod. Source Int'l, LLC*, 107 U.S.P.Q.2d 1257, 1263 (T.T.A.B. 2013).

<sup>311</sup> *See In re Global Maschinen GmbH Banking Sys., Inc.*, 227 U.S.P.Q. 862, 866 (T.T.A.B. 1985).

<sup>312</sup> *Fuji Medical*, 2021 U.S.P.Q.2d 831, at \*19, citing *UVeritech, Inc. v. Amax Lighting, Inc.*, 115 U.S.P.Q.2d 1242, 1249 (T.T.A.B. 2015).

<sup>313</sup> *Id.* at \*20.

<sup>314</sup> *Id.*

<sup>315</sup> *Id.* at \*23.

mark”<sup>316</sup>—ignoring not only Fuji’s rights, but also the fact that his wife was co-owner of ACIGI. He also submitted a specimen of use, falsely implying that ACIGI manufactured massage chairs at the time. Shen’s false statement of ownership was a material misrepresentation because an application filed by someone who is not the owner of the mark is void.<sup>317</sup>

Finally, as to his intent to deceive, the Board found that Mr. Shen’s testimony demonstrated his lack of credibility. He was “not very sure” who owned the stock in ACIGI, he misrepresented the terms of an agreement with Fuji, and he asserted that his “level of English is limited” but later claimed that he “read[s] English very well.”<sup>318</sup>

Such contradictions, inconsistencies, and indefiniteness diminish the overall credibility of Shen’s testimony. Accordingly, we find Shen’s testimony is entitled to little weight. *B.R. Baker Co. v. Lebow Bros.*, 150 F.2d 580, 66 U.S.P.Q. 232, 236 (C.C.P.A. 1945); *Nationstar Mortg. LLC v. Ahmad*, 112 U.S.P.Q.2d 1361, 1370-73 (T.T.A.B. 2014) (Applicant’s evasiveness and failure to respond directly to straightforward questions led the Board to find “applicant’s testimony not at all credible.”).<sup>319</sup>

The fact that Shen’s attorney signed the application did not “relieve Shen of his duty to state the truth.”<sup>320</sup> “The evidence of record—both direct and circumstantial—establishes that Shen knew the . . . declaration was filed in his name, that he was not the owner of the FUJIIRYOKI mark, and that Petitioner actually owned the mark.”<sup>321</sup>

The Board observed that this is not a case where a false statement “is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.”<sup>322</sup> The fact that Shen did not tell Fuji that he had applied to register the mark “demonstrates that Shen both knew he was not the owner of the

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<sup>316</sup> *Id.* at \*24.

<sup>317</sup> See 37 C.F.R. § 2.71(d); *Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab.*, 859 F.3d 1023, 123 U.S.P.Q.2d 1024, 1027 (Fed. Cir. 2017); *Chien Ming Huang v. Tzu Wei Chen Food Co.*, 849 F.2d 1458, 7 U.S.P.Q.2d 1335, 1335-36 (Fed. Cir. 1988).

<sup>318</sup> *Fuji Medical*, 2021 U.S.P.Q.2d 831, at \*30.

<sup>319</sup> *Id.* at \*31.

<sup>320</sup> *Id.* at \*32. See *Smith Int’l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1047 (T.T.A.B. 1981) (“Even if the affidavit was prepared by its attorney, Smith must be held accountable for any false or misleading statements made therein.”). Note that here, the application was signed by the attorney.

<sup>321</sup> *Id.*

<sup>322</sup> *Id.* at \*36, citing *Bose*, 91 U.S.P.Q.2d at 1942.

mark . . . and had an intent to deceive the Office into granting a registration to which he knew he was not entitled.”<sup>323</sup>

The evidence was “clear and convincing” that Shen intended to deceive the USPTO: not only the documentary evidence but also Shen’s “grossly evasive testimony, and . . . self-serving claims.”<sup>324</sup>

The Board rejected ACIGI’s several affirmative defenses. ACIGI alleged waiver and estoppel by acquiescence, but that defense is not available against a claim of fraud.<sup>325</sup> ACIGI also alleged abandonment by naked licensing, asserting that it manufactured its own chairs under the mark without any quality control by Fuji, and further that it sub-licensed the mark to others. However, there was no evidence that ACIGI was manufacturing its own chairs or sub-licensing the mark. In any case, “[u]nder the doctrine of licensee estoppel, during the time that a license is in force, a licensee cannot challenge the validity of the licensed mark including on the ground that the licensor has not exercised sufficient quality control.”<sup>326</sup>

*Chutter, Inc. v. Great Management Group, LLC and Chutter, Inc. v. Great Concepts*

In the seminal fraud case of *In re Bose*,<sup>327</sup> the CAFC left open the question of whether “reckless disregard” for the truth is a sufficient basis for a finding of fraud on the USPTO. The Board has now answered that question in the affirmative, granting a petition for cancellation of a registration for the mark DANTANNA’S for “steak and seafood restaurant” on the ground of fraud. By no longer requiring proof of an intent to deceive the USPTO, the Board has significantly lowered the bar for proof of fraud.<sup>328</sup>

Plaintiff Chutter’s fraud claim was founded on Defendant Great Concepts’ filing of a Section 15 Declaration of Incontestability<sup>329</sup> in

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<sup>323</sup> *Id.*

<sup>324</sup> *Id.* at \*38.

<sup>325</sup> *Saint-Gobain Abrasives, Inc. v. Unova Indus. Automation Sys., Inc.*, 66 U.S.P.Q.2d 1355, 1359 (T.T.A.B. 2003) (“It is well established that the equitable defenses of laches and acquiescence are not available against claims of genericness, descriptiveness, fraud, and abandonment.”).

<sup>326</sup> *Fuji Medical*, 2021 U.S.P.Q.2d 831, at \*14, citing *Estate of Biro v. Bic Corp.*, 18 U.S.P.Q.2d 1382, 1386 (T.T.A.B. 1991); *Leatherwood Scopes Int’l Inc. v. Leatherwood*, 63 U.S.P.Q.2d 1699, 1703 (T.T.A.B. 2002)

<sup>327</sup> 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009).

<sup>328</sup> *Chutter, Inc. v. Great Mgmt. Group, LLC and Chutter, Inc. v. Great Concepts, LLC*, 2021 U.S.P.Q.2d 1001 (T.T.A.B. 2021).

<sup>329</sup> Section 15 of the Lanham Act, 15 U.S.C. § 1065, states, in pertinent part, that:

[T]he right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable, provided that . . .



which its counsel, Mr. Taylor, stated that there were no civil actions or USPTO proceedings pending against the DANTANNA'S mark and registration. Chutter alleged that this statement was knowingly false—because a cancellation proceeding and a civil action involving the DANTANNA'S mark were pending—and was made with intent to deceive the USPTO into “accepting” the declaration.<sup>330</sup>

The Board observed that it is “well-settled that the inclusion of false statements in a Section 15 affidavit/declaration is material, and if made with the relevant degree of intent constitutes fraud warranting cancellation of the involved registration under Section 14(3) of the Trademark Act.”<sup>331</sup>

A false Section 15 affidavit/declaration, when relied on by the USPTO, allows a registrant to obtain a new right which it would not otherwise have, specifically, the right to have its registration, in litigation, accepted as conclusive evidence, rather than merely prima facie evidence, of the registrant's exclusive right to use the registered mark in commerce. *See* Trademark Act Section 33, 15 U.S.C. § 1115(b).<sup>332</sup>

It was undisputed that, at the time the declaration was filed, Mr. Taylor knew of the pending legal proceedings involving the DANTANNA'S mark and registration, that he was not aware of the legal requirements for filing a Section 15 declaration, and that the USPTO acknowledged receipt of his declaration. Mr. Taylor testified that he did not review the document “carefully enough to see that the statement is in [t]here incorrectly.”<sup>333</sup> Neither he nor Great Concepts ever notified the USPTO about the false statement, though they were aware of same since 2015. Great Concepts admitted that the statement was false.

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(2) there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of; and (3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce . . . .

<sup>330</sup> *Chutter*, 2021 U.S.P.Q.2d 1001, at \*6. The Board noted that the USPTO does not “accept” a Section 15 affidavit or declaration, but merely reviews the documents for compliance with the statute and rules (signature, timeliness, and proper terminology) and then acknowledges receipt. *Id.* at \*14.

<sup>331</sup> *Id.* at \*15, citing *Crown Wallcovering Corp. v. Wall Paper Mfrs. Ltd.*, 188 U.S.P.Q. 141, 144 (T.T.A.B. 1975); *see also* *Consorzio del Prosciutto di Parma v. Parma Sausage Prods. Inc.*, 23 U.S.P.Q.2d 1894, 1898-99 n.6 (T.T.A.B. 1992); *Smith Int'l*, 209 U.S.P.Q. 1033 at 1048 (T.T.A.B. 1981) (“[F]raudulent misconduct can be attributed to Smith by accepting the benefits of Section 15, knowing that it was not entitled to them . . . and not taking any action to correct the Office records until the counterclaim was filed.”).

<sup>332</sup> *Id.* at \*14-15.

<sup>333</sup> *Id.* at \*17.

Chutter charged that the false statement was made with “willful blindness” as to the contents of the declaration or, alternatively, with “reckless disregard” as to the truth of the declaration, because Mr. Taylor did not know what he was signing and failed to inquire as to its accuracy. The Board agreed with the latter allegation.

“Reckless disregard” is defined as the “conscious indifference to the consequences of an act.”<sup>334</sup> The Board observed that “[a] declarant is charged with knowing what is in the declaration being signed, and by failing to make an appropriate inquiry into the accuracy of the statements the declarant acts with a reckless disregard for the truth.”<sup>335</sup>

Mr. Taylor paid little, or no, attention to the document he was signing under oath and thereby disregarded the significance of the benefits he was obtaining for his client. By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, Mr. Taylor acted in reckless disregard for the truth; nor did he take any action to remedy the error once it was brought to his attention.<sup>336</sup>

If the Board were to find that Mr. Taylor’s conduct did not constitute fraud, that “could encourage declarants to conclude that such disregard carries no consequence and they can fail to read documents they are signing without penalty. ‘Statements made with such degree of solemnity clearly are or should be investigated thoroughly prior to signature and submission to the USPTO.’”<sup>337</sup>

The Board pointed out that in *Bose*, the CAFC held that for a finding of fraud, the intent to deceive must be willful. The Supreme

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<sup>334</sup> *Id.* at \*19, citing BLACK’S LAW DICTIONARY (11th ed. 2019) under “Disregard.” Section 500 of the RESTATEMENT OF TORTS (1965) defines “recklessness” as the “conscious disregard” of a substantial risk of harm.

<sup>335</sup> *Id.*, citing *Standard Knitting, Ltd. v. Toyota Jidosha K.K.*, 77 U.S.P.Q.2d 1917, 1927-1928 (T.T.A.B. 2006) (finding that the opposer’s Chief Operating Officer “clearly understood” that use of a mark meant use in the United States and that “[t]his is not a situation where opposer misunderstood the significance of the statements it signed. Rather, opposer disregarded the significance.”).

<sup>336</sup> *Id.* at \*20.

<sup>337</sup> *Id.*, quoting *Standard Knitting*, 77 U.S.P.Q.2d at 1927-28; *see also* *Duffy-Mott Co. v. Cumberland Packing Co.*, 424 F.2d 1095, 165 U.S.P.Q. 422, 425 (C.C.P.A. 1970) (finding that a false statement in a Section 15 affidavit “can scarcely be characterized as mere carelessness or misunderstanding to be winked at as of no importance,” and holding that a sanction was necessary “to deter the further development of such a cavalier attitude toward statements in affidavits under section 15.”).

Court<sup>338</sup> and various circuit courts of appeal<sup>339</sup> have ruled that “willful” includes reckless behavior. And so, the Board held: “In matters of trademark registration and maintenance, where the USPTO relies on declarations to be complete, accurate, and truthful . . . reckless disregard is equivalent to intent to deceive and satisfies the intent to deceive requirement.”<sup>340</sup>

*Illyrian Import, Inc. v. ADOL Sh.p.k.*

As discussed above, this consolidated opposition proceeding featured two companies battling over rights to the same marks for Albanian brandy. Applicant ADOL sought registration of the marks SKËNDERBEU and GJERGJ KASTRIOTI SKËNDERBEU (stylized) for “beverages from wine distillates, namely, brandy and grape brandy.” Illyrian Import opposed on the grounds of fraud and likelihood of confusion with the previously used mark GJERGJ KASTRIOTI SKËNDERBEU for liquor, including brandy. The Board dismissed both claims.<sup>341</sup>

Illyrian alleged that ADOL committed fraud by falsely claiming ownership of the subject marks. Although the claims were not pled with the requisite particularity,<sup>342</sup> ADOL did not move to dismiss the claims nor seek a more definite statement. Instead, it argued in its brief that Illyrian failed to plead an intent to deceive on the part of ADOL, an element required to be pled with specificity.<sup>343</sup> The Board concluded that since ADOL “was on notice that a fraud claim was asserted, did not request more particularity, defended against it, and argued, in its brief, that Opposer failed to prove Applicant knowingly made a false misrepresentation of fact,” the fraud claim

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<sup>338</sup> *Id.* at \*22, citing, e.g., *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 57-58 (2007); *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132-33 (1988) (concluding that willful violations of the Fair Labor Standards Act include reckless violations); *Trans World Airlines, Inc. v. Thurston*, 469 U.S. 111, 128 (1985) (liquidated damages provision of the Age Discrimination in Employment Act of 1967).

<sup>339</sup> *Id.* at \*23-24, citing, e.g., *S. Cherry St. LLC v. Hennessee Grp. LLC*, 573 F.3d 98, 109 (2d Cir. 2009) (“This court has . . . long held that the scienter element can be satisfied by a strong showing of reckless disregard for the truth.”); *United States v. Rum*, 995 F.3d 882, 889 (11th Cir. 2021) (“Following our precedent interpreting the analogous language in [26 U.S.C.] § 6672, we hold that willfulness in [31 U.S.C.] § 5321 includes reckless disregard of a known or obvious risk. In so doing, we join with every other circuit court that has interpreted this provision.”).

<sup>340</sup> *Id.* at \*24.

<sup>341</sup> *Illyrian Import, Inc. v. ADOL Sh.p.k.*, 2022 U.S.P.Q.2d 292 (T.T.A.B. 2022). Opposer’s likelihood of confusion claim is discussed in Part II.B.1, above.

<sup>342</sup> See Rule 9(b) of the Federal Rules of Civil Procedure: “In alleging fraud or mistake, party must state with particularity the circumstances constituting fraud or mistake.”

<sup>343</sup> *Illyrian Import*, 2022 U.S.P.Q.S.P.Q.2d 292, at \*30.

was tried by consent, and so the Board construed the pleadings to be appropriately amended.<sup>344</sup>

The Board understood Illyrian's fraud claim to be that ADOL, when it filed the subject applications on August 9, 2016, knew that a company called GKS (whose product Illyrian distributes) owned a registration for the GJERGJ KASTRIOTI SKËNDERBEU mark in design form (cancelled in 2013) and knew that GKS had the right to use the subject marks. Thus, according to Illyrian, ADOL knew that GKS had the superior right.

The Board set forth once again the elements of a fraud claim:

Fraud in procuring or maintaining a trademark registration occurs when an applicant for registration or a registrant in a declaration of use or a renewal application knowingly makes specific false, material representations of fact with the intent of obtaining or maintaining a registration to which it is otherwise not entitled.<sup>345</sup>

A party claiming fraud faces a heavy burden of proof: "[T]he very nature of the charge of fraud requires that it be proven 'to the hilt' with clear and convincing evidence. There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party."<sup>346</sup>

The Board concluded that Illyrian had failed to prove by clear and convincing evidence that ADOL knew that GKS had superior right in the subject marks when ADOL filed and prosecuted its applications. ADOL owns a U.S. registration for GJERGJ KASTRIOTI SKËNDERBEU in standard character form, which it secured without objection from GKS. In addition, the Albanian state regime authorized both ADOL and GKS to produce and market brandy using the mark or sign "Gjergj Kastrioti Skenderbeu." Thus, ADOL could reasonably believe that it had the exclusive right to use the marks in the United States.

Even assuming that the relevant statements were false, the record evidence did not establish that ADOL believed or knew they were false. Therefore, the Board could not find that ADOL intended to deceive the USPTO.

[T]he legal right to use the SKËNDERBEU marks emanating from Applicant's prior U.S. registration, as well

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<sup>344</sup> *Id.* See *Citigroup*, 94 U.S.P.Q.2d at 1650, 1655-56 (Board deemed unpleaded affirmative defense of tacking by prior use of an unpleaded mark to have been tried by implied consent pursuant to Fed. R. Civ. P. 15(b)), *aff'd*, 637 F.3d 1344, 98 U.S.P.Q.2d 1253 (Fed. Cir. 2011); *Nextel Comm'n, Inc. v. Motorola, Inc.*, 91 U.S.P.Q.2d 1393, 1399 (T.T.A.B. 2009) (although opposer did not plead issue preclusion as a ground for opposition, because applicant did not object to opposer's assertion of that ground in its brief and, in fact, addressed the issue in its brief, the Board deemed the pleadings to be amended pursuant to Fed. R. Civ. P. 15(b)).

<sup>345</sup> *Id.* at \*39. See *Bose*, 91 U.S.P.Q.2d at 1938.

<sup>346</sup> *Id.* at \*40, quoting *Bose*, 91 U.S.P.Q.2d at 1939.

as from the rights granted by the Albanian government, is both complex and confusing, potentially leaving Mr. Hatellari with an unclear understanding of his company's trademark rights.<sup>347</sup>

Accordingly, the Board dismissed Illyrian's fraud claim.

#### 4. Lack of Bona Fide Intent

##### *Monster Energy Co. v. Tom & Martha LLC*

Tom & Martha LLC's application to register the mark LOCH MOOSE MONSTAH for gift shop goods and services survived a feeble summary judgment attack by frequent TTAB plaintiff Monster Energy, who claimed that Tom & Martha lacked a bona fide intent to use the mark in commerce.<sup>348</sup> Although the evidence did not show that Tom & Martha "took concrete steps to launch all the goods and services in its application," it did show its "capacity to market" them.<sup>349</sup> The existence of a genuine issue of material fact as to Tom & Martha's bona fide intent precluded summary judgment.

The Board observed that "an application will not be deemed void for lack of bona fide intention to use absent . . . proof of a lack of bona fide intention to use the mark on all the goods identified in the application, not just some of them."<sup>350</sup> "[A]s long as the mark was used on some of the identified goods or services as of the filing of the application, the application is not void in its entirety."<sup>351</sup> Moreover, in an opposition involving a claim of lack of bona fide intent to use, amending the identification is permissible "to reflect those goods with which [the party] has a bona fide intent to use the mark."<sup>352</sup>

Monster relied on the deposition testimony of one of Tom & Martha's principals, Mr. Byrne, but many of his statements were qualified and "when read in their entirety, reveal that Applicant's plans to expand were contingent on whether the business was a success."<sup>353</sup> For example:

"But if it had taken off, or if it does take off, then we could do it";

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<sup>347</sup> *Id.* at \*43.

<sup>348</sup> *Monster Energy Co. v. Tom & Martha LLC*, 2021 U.S.P.Q.2d 1197 (T.T.A.B. 2021).

<sup>349</sup> *Id.* at \*15.

<sup>350</sup> *Id.* at \*11, quoting *Wet Seal, Inc. v. FD Mgmt., Inc.*, 82 U.S.P.Q.2d 1629, 1633 (T.T.A.B. 2007).

<sup>351</sup> *Id.* at \*12, quoting *Grand Canyon W. Ranch, LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696, 1697 (T.T.A.B. 2006).

<sup>352</sup> *Id.* at \*11, quoting *Syndicat Des Proprietaires Viticulteurs De Chateauneuf-Du-Pape v. Pasquier DesVignes*, 107 U.S.P.Q.2d 1930, 1943 (T.T.A.B. 2013).

<sup>353</sup> *Id.* at \*13.

“If it takes off and they were going to sell, sure”; and

“But I’m not going to rule it out if it was going to take off. I’m not going to say well, I’ll never do that.”<sup>354</sup>

Tom & Martha argued, and Mr. Byrne confirmed in a declaration, that it is a small business that has developed a number of marks intended for use on a wide range of consumer goods; its brand development strategy is to identify a brand, file an intent to use application for the intended goods, and then start the process of bringing the goods to market. Moreover, Tom & Martha produced photographs showing use of its LOCH MOOSE MONSTER mark on hooded sweatshirts, t-shirts, canvas tote bags, hats, and mugs.

The Board observed that “[e]vidence that a party has the capacity to market or manufacture a product can rebut a lack of bona fide intent to use claim.”<sup>355</sup>

Although the record does not show that Applicant took concrete steps to launch all the goods and services in its application, it does not necessarily indicate the absence of a genuine dispute of material fact that Applicant lacked a bona fide intent to use its mark in commerce in connection with the identified goods and services as of the application filing date . . . . The evidence of record, and in particular the Byrne declaration, show Applicant has the capacity to market goods and services such as those listed in its application.<sup>356</sup>

The Board found that a genuine dispute of material fact existed with respect to, at a minimum, the issue of whether Tom & Martha “lacked a bona fide intent to use its mark on any particular goods and services in each class identified in the application as of the application filing date.”<sup>357</sup> It therefore denied the motion for summary judgment.

## 5. Nonownership

### *Saber Interactive Inc. v. Oovee Ltd.*

In this opposition to registration of the mark SPINTIRES for computer games and software, Opposer Saber Interactive pleaded only one claim: nonownership. However, the opposed application was based on a request for extension of protection under the Madrid Protocol (Section 66(a) of the Lanham Act), and nonownership is not an available ground for opposition against an application not based on actual use.<sup>358</sup>

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<sup>354</sup> *Id.* at \*14.

<sup>355</sup> *Id.* at \*9, citing *Wet Seal*, 82 U.S.P.Q.2d at 1643.

<sup>356</sup> *Id.* at \*15, citing *Wet Seal*, 82 U.S.P.Q.2d at 1643.

<sup>357</sup> *Id.*

<sup>358</sup> *Saber Interactive Inc. v. Oovee Ltd.*, 2022 U.S.P.Q.2d 514 (T.T.A.B. 2022).

Applicant Oovee moved for summary judgment on the ground that Saber was not entitled to a statutory cause of action. The Board put that motion aside, exercising its discretion to review the substance of Saber's claim to determine its sufficiency.

In opposing a Section 66(a) application, an opposer's claims must be listed on the ESTTA filing form.<sup>359</sup> The notice of opposition may not be amended to add an entirely new claim.<sup>360</sup>

The only claim Opposer Saber included on the ESTTA form and in its pleading was nonownership under Section 1 of the Trademark Act. However, Board precedent holds that "[o]wnership of a mark arises through use of the mark."<sup>361</sup> Therefore, a claim based on lack of ownership is not available when the application is not based on use of the mark in commerce.<sup>362</sup>

An application under Section 66(a) is not based on use, but rather on an international registration owned by the applicant and a bona fide intent to use.<sup>363</sup> Therefore, a claim based on lack of ownership was not available against Ovee's Section 66(a) application.

The Board dismissed the opposition with prejudice.

## 6. Nonuse

### *The Mars Generation, Inc. v. Albert G. Carson IV*

Alyssa Carson and Abigail Harrison both desire to be the first human being to set foot on Mars. This led to their clash over the term "Mars Generation." Ms. Harrison came in first, at least at the TTAB. The Board sustained her company's opposition to registration of the marks I AM THE MARS GENERATION and WE ARE THE MARS GENERATION for "licensing of advertising

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<sup>359</sup> Trademark Rule 2.104(c), 37 C.F.R. § 2.104(c); *see also* CSC Holdings LLC v. SAS Optimhome, 99 U.S.P.Q.2d 1959, 1963 (T.T.A.B. 2011).

<sup>360</sup> Trademark Rule 2.107(b), 37 C.F.R. § 2.107(b); *see also* O.C. Seacrets, Inc. v. Hotelplan Italia S.p.A., 95 U.S.P.Q.2d 1327 (T.T.A.B. 2010).

<sup>361</sup> *Hole In 1 Drinks, Inc. v. Lajtay*, 2020 U.S.P.Q.2d 10020 (T.T.A.B. 2020) (application based on intent to use under Section 1(b) of the Trademark Act, 15 U.S.C. § 1(b)). The Board in *Hole-in-1 Drinks* observed that the petitioner "could have asserted that Respondent did not have a right to file his intent-to-use application based on a lack of a bona fide intent to use the mark in commerce as of the filing date of the intent-to-use application." *Id.* at \*6.

<sup>362</sup> *See also* Norris v. PAVE, 2019 U.S.P.Q.2d 370880 (T.T.A.B. 2019).

<sup>363</sup> Section 66(a) of the Lanham Act, 15 U.S.C. § 1141f(a), states:

*Requirement for Request for Extension of Protection.*—A request for extension of protection of an international registration to the United States that the International Bureau transmits to the United States Patent and Trademark Office shall be deemed to be properly filed in the United States if such request, when received by the International Bureau, has attached to it a declaration of bona fide intention to use the mark in commerce that is verified by the applicant for, or holder of, the international registration.

slogans and cartoon characters,” finding that Applicant Carson (Alyssa’s father) “did not offer the recited service under the marks in commerce as of the respective filing dates of the use-based applications.”<sup>364</sup>

Section 45 of the Trademark Act provides, in pertinent part, that a mark is considered to be in use in commerce for services “when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”<sup>365</sup> When a mark has not been used in commerce by the day the use-based application is filed, the application is void ab initio.<sup>366</sup>

Mars Generation established a prima facie case of nonuse as of the filing dates of the underlying applications, based on Carson’s discovery responses. Carson’s evidence failed to overcome it. He submitted a declaration that contained only conclusory statements that “[e]ach year from 2015 through the present,” he provided “licensing of advertising slogans and cartoon characters” under both proposed marks “to a wide range of customers located throughout the United States.”<sup>367</sup> However, he identified no such customers.

Pages from Carson’s website and social media accounts made no reference to “licensing of advertising slogans or cartoon characters.” In short, he offered no probative documentary evidence that he ever engaged in such licensing.

The only documents in the record that include the proposed marks and also refer in any way to the recited service are undated documents (the specimens of use) that Applicant has identified in the applications as “advertising.” Even if the “specimens could be found to be technically acceptable” for advertising the service, this does not suffice to establish the mark was actually used in commerce for the service, where “there is no corroborating evidence that applicant offered any of the services identified in the application[s] at the time he filed [them].” See *Nationstar Mortg. LLC v. Ahmad*, 112 U.S.P.Q.2d 1361, 1373-74 (T.T.A.B. 2014).<sup>368</sup>

The Board observed that “an applicant’s preparations to use a mark in commerce are insufficient to constitute use in commerce. Rather, the mark must be actually used in conjunction with the services described in the application for the mark.”<sup>369</sup>

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<sup>364</sup> *The Mars Generation, Inc. v. Albert G. Carson IV*, 2021 U.S.P.Q.2d 1057, at \*22 (T.T.A.B. 2021).

<sup>365</sup> Section 45 of the Lanham Act, 5 U.S.C. § 1127.

<sup>366</sup> *Couture v. Playdom*, 778 F.3d 1379, 113 U.S.P.Q.2d 2042, 2043-44 (Fed. Cir. 2015).

<sup>367</sup> *Mars Generation*, 2021 U.S.P.Q.2d 1057, at \*15.

<sup>368</sup> *Id.* at \*20-21.

<sup>369</sup> *Id.* at \*21, quoting *Aycock Eng’g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 90 U.S.P.Q.2d 1301, 1308 (Fed. Cir. 2009); see also *Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab.*,



## 7. Procedural Issues

### *a. Claim and Issue Preclusion*

#### *Valvoline Licensing & Intellectual Property LLC v. Sunpoint International Group USA Corp.*

In this Section 2(d) opposition, the Board denied Applicant Sunpoint's motion for summary judgment, ruling that neither claim preclusion nor issue preclusion applied to Opposer Valvoline's claim of likelihood of confusion between its registered marks VALVOLINE and MAX LIFE and Sunpoint's proposed mark MAXVOLINE, all for various automotive lubricants and fluids.<sup>370</sup> A previous cancellation proceeding between the parties had resulted in cancellation of a registration Sunpoint had obtained for the same mark, but on the sole ground of nonuse.<sup>371</sup> The Board had also concluded, for purposes of completeness, that Valvoline did not prove its likelihood of confusion claim. However, because Valvoline won that case and therefore could not appeal from the unfavorable Section 2(d) determination, it was not precluded from bringing that claim against Sunpoint's new MAXVOLINE application.

The doctrine of claim preclusion, sometimes known by persons of a certain age as “res judicata,” “bars a second action when there is: (1) an identity of parties or their privies; (2) an earlier final judgment on the merits of a claim; and (3) the second claim is based on the same set of transactional facts as the first.”<sup>372</sup>

Issue preclusion, or collateral estoppel, bars a party from re-litigating the same issue in a second action between the same parties,<sup>373</sup> and requires “(1) identity of an issue in a prior proceeding, (2) that the identical issue was actually litigated, (3) that determination of the issue was necessary to the judgment in the prior proceeding, and (4) that the party defending against preclusion had a full and fair opportunity to litigate the issue in the prior proceeding.”<sup>374</sup>

However, neither claim preclusion nor issue preclusion applies against a party if that party cannot appeal from the outcome of the

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859 F.3d 1023, 123 U.S.P.Q.2d 1024, 1029 (Fed. Cir. 2017) (“[W]e have held that mere preparation and publication of future plans do not constitute use in commerce.”).

<sup>370</sup> *Valvoline Licensing & Intellectual Property LLC v. Sunpoint Int’l Grp. USA Corp.*, 2021 U.S.P.Q.2d 785 (T.T.A.B. 2021).

<sup>371</sup> *Ashland Licensing & Intellectual Property LLC and Valvoline Licensing and IP LLC v. Sunpoint Int’l Grp. USA Corp.*, Cancellation No. 92057294 (T.T.A.B. April 26, 2019).

<sup>372</sup> *Valvoline*, 2021 U.S.P.Q.2d 785, at \*6, citing *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 55 U.S.P.Q.2d 1854, 1856 (Fed. Cir. 2000); *See Chutter*, 119 U.S.P.Q.2d at 1868.

<sup>373</sup> *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138 (2015).

<sup>374</sup> *Valvoline*, 2021 U.S.P.Q.2d 785, at \*6-7, citing *Mayer/Berkshire Corp. v. Berkshire Fashions Inc.*, 424 F.3d 1229, 76 U.S.P.Q.2d 1310, 1313 (Fed. Cir. 2005).

earlier proceeding.<sup>375</sup> The Board observed that, “[a]s a general rule, a prevailing party may not appeal from a favorable judgment simply to obtain review of findings it deems erroneous.”<sup>376</sup>

Here, the sole relief requested by Valvoline in the prior proceeding was cancellation of the MAXVOLUME registration. Although the Board determined that Valvoline had failed to carry its burden to prove a likelihood of confusion, that determination did not change the final judgment. Had Sunpoint appealed from the decision, Valvoline could have asserted likelihood of confusion as an alternative ground for affirmance of the Board’s judgment. Sunpoint did not appeal, and therefore Valvoline received all the relief it sought and could not appeal in its own right.<sup>377</sup>

The Board therefore denied Sunpoint’s motion for summary judgment.

*Haider Capital Holding Corp. LLC v.  
Skin Deep Laser MD, LLC*

Applicant Haider Capital sought a concurrent registration for the mark SKIN DEEP for beauty salon and health spa services, naming registrant Skin Deep Laser as an excepted user. Skin Deep filed a motion for summary judgment on the ground of claim preclusion in light of an earlier petition for cancellation brought by Haider against Skin Deep that was dismissed with prejudice. The Board denied the motion, ruling that because the transactional facts relevant in a concurrent use proceeding are different from those involved in a cancellation (or opposition) proceeding, claim preclusion is inapplicable.<sup>378</sup>

Issue Preclusion: The Board first considered the issue of collateral estoppel (a/k/a issue preclusion). Skin Deep argued that Haider had an opportunity to prove priority in the cancellation proceeding and “should not now have a second bite at the apple.”<sup>379</sup> The Board pointed out, however, that the cancellation proceeding was dismissed with prejudice, on Skin Deep’s motion, for failure to prosecute under Section 2.132(a).<sup>380</sup> Therefore, because the issue of priority was not actually litigated, issue preclusion cannot apply.

<sup>375</sup> See *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357, 2019 U.S.P.Q.2d 171683, at \*4-5 (Fed. Cir. 2019).

<sup>376</sup> *Valvoline*, 2021 U.S.P.Q.2d 785, at \*7, citing *Mathias v. Worldcom Tech., Inc.*, 535 U.S. 682, 684 (2002) (per curiam).

<sup>377</sup> *Id.* at \*8, citing *Maremont Corp. v. Air Lift Co.*, 463 F.2d 1114, 174 U.S.P.Q. 395, 396 (C.C.P.A. 1972).

<sup>378</sup> *Haider Capital Holding Corp. LLC v. Skin Deep Laser MD, LLC*, 2021 U.S.P.Q.2d 991 (T.T.A.B. 2021).

<sup>379</sup> *Id.* at \*5.

<sup>380</sup> Trademark Rule 2.132(a), 37 C.F.R. § 2.132(a), provides, in pertinent part:

If the time for taking testimony by any party in the position of plaintiff has expired and it is clear to the Board from the proceeding record that such party

In any case, “priority” in the context of a concurrent use proceeding presents a different issue from “priority” in an opposition or cancellation proceeding. In a concurrent use proceeding, the only way in which priority is considered is in determining whether the concurrent use applicant can establish the jurisdictional requirement for institution of the proceeding: that is, can the applicant show use in commerce prior to the defendant’s (registrant’s) application filing date? In an opposition or cancellation proceeding, priority may be established constructively, but not so in a concurrent use proceeding, where “constructive use has little (if any) significance” because the applicant must prove actual use of its mark.<sup>381</sup>

**New Application Required?:** Skin Deep argued that, according to Section 1112 of the Trademark Board Manual of Procedure (“TBMP”),<sup>382</sup> Haider was required to file a new application for concurrent use when its petition for cancellation was dismissed, rather than merely convert its pending application. The Board disagreed.

The Board pointed out that the “requirement” of TBMP Section 1112<sup>383</sup> that a new application must be filed applies only in two circumstances. First, when an application for an unrestricted registration was opposed successfully, the applicant must file a new application. Second, when a registrant whose unrestricted registration is cancelled, the registrant must file a new concurrent use application. In both cases, the party required to file a new

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has not taken testimony or offered any other evidence, the Board may grant judgment for the defendant. Also, any party in the position of defendant may, without waiving the right to offer evidence in the event the motion is denied, move for dismissal on the ground of the failure of the plaintiff to prosecute.

<sup>381</sup> *Haider Capital*, 2021 U.S.P.Q.2d 991, at \*6, quoting *Southwest Mgmt., Inc. v. Ocinomled, Ltd.*, 115 U.S.P.Q.2d 1007, 1024 (T.T.A.B. 2015), *aff’d*, 652 F. App’x 971 (Fed. Cir. June 15, 2016). *See also* *CDS Inc. v. I.C.E.D. Mgmt. Inc.*, 80 U.S.P.Q.2d 1572, 1580 n.12 (T.T.A.B. 2006) (“Priority is not normally an issue in concurrent use proceedings. The question here is whether the concurrent use applicant has met the jurisdictional requirement (or ‘condition precedent’) of establishing use in commerce prior to the defendant’s application filing date.”).

<sup>382</sup> TBMP § 1112 states, in pertinent part:

A party which receives an adverse decision, in an opposition . . . [or] cancellation . . . proceeding, on the issue of priority of use is not precluded thereby from seeking a concurrent use registration, unless its first use in commerce was subsequent to the earliest application filing date of any conflicting application or registration owned by another party to the opposition [or] cancellation . . . proceeding, and that other party does not consent to the grant of a concurrent registration to the applicant. The concurrent use registration must be sought by filing a new application seeking concurrent use with the prevailing party before the Board.

<sup>383</sup> Note that the TBMP is not the law. *See, e.g.*, *STX Fin., LLC v. Terrazas*, 2020 U.S.P.Q.2d 10989 at \*4 (T.T.A.B. 2020) (“The TBMP is a resource and guide, but does not modify, amend, or serve as a substitute for any existing statutes, rules, or decisional law and is not binding upon the Board. *See* Introduction to TBMP.”).

concurrent use application was an unsuccessful defendant in the prior proceeding.

Here, Haider was the plaintiff in the cancellation proceeding and its application remained pending. Therefore, when its petition for cancellation failed, it needed only to amend its application to seek concurrent use.

**Claim Preclusion:** The Board held that “claim preclusion does not apply to a concurrent use proceeding when the prior proceeding is either an opposition or cancellation proceeding between the parties.”<sup>384</sup>

In opposition and cancellation proceedings based on likelihood of confusion, the issue is whether a party is entitled to a geographically unrestricted registration, assuming that the involved marks are used in the same geographic area. In a concurrent use proceeding, however, the Board must consider the likelihood of confusion when the marks are used “under conditions and limitations as to the mode or place of use of the marks, i.e., different geographic areas.”<sup>385</sup>

Thus, a critical element for determining whether claim preclusion applies to a later concurrent use proceeding cannot be satisfied in a concurrent use proceeding. Specifically, to establish claim preclusion, the movant must show that “the second claim is based on the same set of transactional facts as the first.”<sup>386</sup>

In short, the facts on which the Board must decide a concurrent use proceeding are not the same as those considered in a prior opposition or cancellation proceeding. Therefore, claim preclusion cannot apply.

### ***b. Withdrawal of Petition for Cancellation Without Prejudice***

#### ***Jim Beam Brands Co. v. JL Beverage Co. LLC***

Petitioner Jim Beam filed a voluntary withdrawal, without prejudice, of its petition for cancellation of a registration for the mark shown immediately below, for “distilled spirits.” In the petition, Jim Beam claimed that JL Beverage’s “Lips Mark” was

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<sup>384</sup> *Haider Capital*, 2021 U.S.P.Q.2d 991, at \*13-14.

<sup>385</sup> *Id.* at \*14-15. *See, e.g.,* *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512, 204 U.S.P.Q. 820, 831 (C.C.P.A. 1980) (stating that the “conditions and limitations” imposed by Trademark Act Section 2(d) are “for the purpose of preventing consumer confusion”); *Southwest Mgmt., Inc. v. Ocinomled, Ltd.*, 115 U.S.P.Q.2d at 1030-31 (“Inasmuch as the parties to this proceeding have fully litigated the issue of geographic territories, we have considered not only the territorial restriction that Applicant proposes for itself in its application, but also whether any other relevant territorial restriction would be sufficient to avoid likely confusion.”).

<sup>386</sup> *Id.* at \*15, quoting *Jet Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 55 U.S.P.Q.2d 1854, 1857 (Fed. Cir. 2000).

merely ornamental and lacked acquired distinctiveness. The cancellation proceeding had been suspended before JL Beverage filed its answer, in light of an infringement action brought by JL Beverage. The Board observed that, under Rule 2.114(c), a petition for cancellation “may be withdrawn without prejudice before the answer is filed.”<sup>387</sup> The Board saw no reason to depart from the language of the Rule, which is “plain, clear, and mentions no exceptions,” and so it dismissed the petition without prejudice.<sup>388</sup>



The U.S. Court of Appeals for the Ninth Circuit, on May 27, 2020, affirmed Jim Beam’s victory over JL Beverage in the infringement action, finding that Jim Beam’s “Pucker” vodka mark did not infringe JL Beverage’s Johnny Love “Lips Mark,” based on differences between the bottle designs, marks, product names, and labels.<sup>389</sup>

In the civil action, Jim Beam had asserted counterclaims for cancellation of the “Lips Mark” registration on the ground of failure-to-function and aesthetic functionality, as well as alleging certain claims of infringement of a prior Jim Beam registration. The district court denied those claims, and Jim Beam did not appeal.

JL Beverage argued that the Board should dismiss the petition for cancellation with prejudice because the district court denied Jim Beam’s counterclaims, which allegedly mimicked the claims pending in the Board proceeding. It urged the Board to create an exception to Rule 2.114(c) “in cases where a federal court judgment has a bearing on the Board case,”<sup>390</sup> but it failed to provide a persuasive reason for the Board to do so.

Finally, the Board noted that if Jim Beam files another petition for cancellation of the subject registration, JL Beverage may assert any preclusion arguments at that time.

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<sup>387</sup> Trademark Rule 2.114(c), 37 C.F.R. 114(c).

<sup>388</sup> *Jim Beam Brands Co. v. JL Beverage Co. LLC*, 2021 U.S.P.Q.2d 885, at \*6 (T.T.A.B. 2021).

<sup>389</sup> *JL Beverage Co. v. Jim Beam Brands Co.*, 815 Fed. Appx. 110, 2020 U.S.P.Q.2d 10577 (9th Cir. 2020).

<sup>390</sup> *Jim Beam Brands*, 2021 U.S.P.Q.2d 885, at \*6.

## 8. Discovery Issues

### *a. Timeliness of Discovery Requests*

#### *Island, LLC v. JBX Pty Ltd.*

The Board faced head-on the scintillating issue of the timing of service of discovery requests, and more particularly whether Eastern Standard Time (“EST”) controls the timeliness thereof, regardless of the location of the serving party. Defendant JBX contended that Plaintiff Island’s discovery requests were served too late because they were emailed after midnight EST of the last day for written discovery. Island (located in California) disagreed because it served the requests before midnight Pacific Standard Time (“PST”). That pesky three-hour difference between EST and PST was the cause of the problem.<sup>391</sup>

Discovery requests must be served in time to require responses prior to the close of discovery.<sup>392</sup> Here, discovery was set to close on January 2, 2021, and since a receiving party must respond in thirty days, the deadline for Plaintiff Island to serve written discovery requests was December 3, 2020. Island served its requests by email from California at 11:43 PM PST on December 3rd, which translated to 2:43 AM EST on December 4th. Defendant JBX responded to the discovery requests by objecting to their timeliness. Island then filed the subject motion to compel.

Although Eastern Time governs documents that are filed with and received by the USPTO (Rule 2.195(a)),<sup>393</sup> nothing in the Trademark Rules of Practice or in the TBMP discusses the applicability of Eastern Time in the context of documents served between parties. For discovery requests, timeliness is based on when a document is served, not received.<sup>394</sup>

The Board noted that, under Rule 2.119(b),<sup>395</sup> a party who, because of technical problems or extraordinary circumstances,

<sup>391</sup> *Island, LLC v. JBX Pty Ltd.*, 2021 U.S.P.Q.2d 779 (T.T.A.B. 2021).

<sup>392</sup> See Trademark Rule 2.120(a)(3), 37 C.F.R. § 2.120(a)(3), which provides, in pertinent part: “Interrogatories, requests for production of documents and things, and requests for admission must be served early enough in the discovery period, as originally set or as may have been reset by the Board, so that responses will be due no later than the close of discovery,” and responses to such written discovery requests are due within thirty days of service of the requests.

<sup>393</sup> Trademark Rule 2.195(a), 37 C.F.R. § 2.195(a), states: “The filing date of an electronic submission is the date the Office receives the submission, based on Eastern Time, regardless of whether that date is a Saturday, Sunday, or Federal holiday within the District of Columbia.”

<sup>394</sup> *Island*, 2021 U.S.P.Q.2d 779 at \*5.

<sup>395</sup> Trademark Rule 2.119(b), 37 C.F.R. § 2.119(b), provides, in pertinent part:

[I]f the serving party can show . . . that service by email was attempted but could not be made due to technical problems or extraordinary circumstances, then service may be made in any of the following ways:

cannot serve discovery by email may serve in a manner described in Rule 2.119(b)(1)–(b)(6), including first-class mail, PRIORITY MAIL EXPRESS, or overnight courier. “When service is made by first-class mail, Priority Mail Express®, or overnight courier, the date of mailing or of delivery to the overnight courier will be considered the date of service.”<sup>396</sup>

Accordingly, a party who meets the requirements to serve discovery requests by, for example, overnight courier will have timely served its discovery requests if it delivers them to the overnight courier thirty-one days before the close of discovery. And this is so even though the responding party would receive the discovery requests thirty (rather than thirty-one) days before the close of discovery. In such a situation the responding party’s responses are still due based on the date of service, even though it does not have the benefit of additional time to respond due to the manner of service. See MISCELLANEOUS CHANGES TO TRADEMARK TRIAL AND APPEAL BOARD RULES OF PRACTICE, 81 Fed. Reg. 69950, 69960 (October 7, 2016); see also TBMP § 403.03.<sup>397</sup>

The Board brushed aside Defendant JBX’s argument that if PST applied, it (JBX) would not be afforded a full thirty-day period to respond. “The Board’s rules are clear that the time to respond to discovery requests . . . is measured in days, not hours.”<sup>398</sup>

The Board therefore granted Island’s motion to compel discovery responses and allowed JBX thirty days to respond to Island’s discovery requests.

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- (1) By delivering a copy of the submission or paper to the person served;
  - (2) By leaving a copy at the usual place of business of the person served, with someone in the person’s employment;
  - (3) When the person served has no usual place of business, by leaving a copy at the person’s residence, with some person of suitable age and discretion who resides there;
  - (4) Transmission by the Priority Mail Express® Post Office to Addressee service of the United States Postal Service or by first-class mail, which may also be certified or registered;
  - (5) Transmission by overnight courier; or
  - (6) Other forms of electronic transmission.

<sup>396</sup> Trademark Rule. 2.119(c), 37 C.F.R. § 2.119(c).

<sup>397</sup> *Island*, 2021 U.S.P.Q.2d 779, at \*6.

<sup>398</sup> *Id.*

***b. Modification of Standard Protective Order and  
Effect of GDPR Regulation***

*Intercontinental Exchange Holdings, Inc. v.  
N.Y. Mercantile Exchange, Inc.  
and  
Chicago Mercantile Exchange, Inc. v.  
Intercontinental Exchange Holdings, Inc.*

The Board denied a motion to modify its Standard Protective Order (“SPO”)<sup>399</sup> to permit in-house counsel for the receiving party to view documents designated as “Confidential—Attorney’s Eye’s Only” (trade secret and commercially sensitive) (“AEO”), and it ruled that the European Union General Data Protection Regulation (“GDPR”) does not apply in Board proceedings. As to the motion, Opposer Chicago Mercantile Exchange (“CME”) failed to show good cause for modification of the SPO. As to the GDPR, the Board found that the SPO adequately protects any personal information that Intercontinental Exchange (“ICE”) sought to redact from its discovery responses.<sup>400</sup>

Modification of the SPO: Under the SPO, which is automatically entered in all inter partes proceedings,<sup>401</sup> only outside counsel (and independent experts or consultants) have access to confidential material and information that is designated as AEO. However, under Rule 2.116(g), the SPO may be modified by stipulation approved by the Board, or upon a motion granted by the Board. CME sought to designate either of two individuals as an in-house counsel with access to AEO material.

To establish good cause to allow disclosure of AEO material to in-house counsel, the movant must provide “a particular and specific demonstration of fact, as distinguished from stereotyped and conclusory statements,”<sup>402</sup> based on “the factual circumstances

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<sup>399</sup> The Standard Protective Order may be found at the TTAB’s website at <https://www.uspto.gov/trademarks/ttab>.

<sup>400</sup> *Intercontinental Exch. Holdings, Inc. v. N.Y. Mercantile Exch., Inc. and Chicago Mercantile Exch., Inc. v. Intercontinental Exch. Holdings, Inc.*, 2021 U.S.P.Q.2d 988 (T.T.A.B. 2021).

<sup>401</sup> Trademark Rule 2.116(g), 37 C.F.R. § 2.116(g), provides, in pertinent part: “The Trademark Trial and Appeal Board’s standard protective order is automatically imposed in all inter partes proceedings unless the parties, by stipulation approved by the Board, agree to an alternative order, or a motion by a party to use an alternative order is granted by the Board.”

<sup>402</sup> *Intercontinental Exch.*, 2021 U.S.P.Q.2d 988, at \*5, quoting *Flanders v. DiMarzio, Inc.*, 2020 U.S.P.Q.2d 10671, at \*2 (T.T.A.B. 2020) (cleaned up). *See also* *A. Hirsh, Inc. v. U.S.*, 657 F. Supp. 1297, 1303 (Ct. Int’l Trade 1987) (movant must show that, “the need for access outweighs the harm to the disclosing party and the forum’s interest in maintaining confidentiality.”).



surrounding each individual counsel's activities, association and relationship with a party."<sup>403</sup>

The Board applied a "three-part balancing test" to determine "whether, to whom and under what conditions a protective order can be amended to allow release of AEO to in-house counsel":<sup>404</sup>

- (1) consideration of a party's need for the confidential information in order to adequately prepare its case,
- (2) the harm that disclosure would cause the party submitting the confidential information, and
- (3) the forum's interest in maintaining the confidentiality of the information sought.<sup>405</sup>

The Board "must be able to balance the risk of inadvertent disclosure of trade secrets or commercially sensitive matter against the risk that protection of those trade secrets will impair CME's prosecution of its claims."<sup>406</sup>

CME did not provide declarations from the two individuals as to their specific duties, and so the Board was unable to conclude that the individuals were not involved in competitive decision making, since they are involved in "legal issues related to intellectual property," which include licensing agreements.<sup>407</sup> In any case, CME did not provide any evidence regarding the first element of the test: the need for its in-house counsel to have the information.

As to the second element, the Board found that potential disclosure of ICE's competitive information "may provide a competitive advantage to CME and such disclosure would harm ICE."<sup>408</sup>

As to the third element, the Board noted that "sensitive business information is central to the Board's fact-finding process,"<sup>409</sup> that the scope of discovery is narrower in Board proceedings than in civil cases, and that the Board provides a Standard Protective Order as a means to protect such information. In short, the Board has an

<sup>403</sup> *Id.*, quoting *U.S. Steel Corp. v. U.S.*, 750 F.2d 1465, 1468 (Fed. Cir. 1984).

<sup>404</sup> *Id.* at \*6.

<sup>405</sup> *Id.*, citing *Akzo N.V. v. U.S. Int'l Trade Comm'n*, 808 F.2d 1471, 1 U.S.P.Q.2d 1241, 1249 (Fed. Cir. 1986).

<sup>406</sup> *Id.* at \*7. See *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 22 U.S.P.Q.2d 1429, 1433 (9th Cir. 1992) (finding balancing test will best resolve discovery disputes relating to protection of trade secrets).

<sup>407</sup> *Id.* at \*8. See *Georgia-Pacific v. Solo Cup*, 80 U.S.P.Q.2d 1950, 1953 (T.T.A.B. 2006) (finding that lack of declarations from counsel seeking access to AEO made for only a minimal and insufficient showing of need).

<sup>408</sup> *Id.* at \*9.

<sup>409</sup> *Id.* See *Hunter Indus., Inc. v. Toro Co.*, 110 U.S.P.Q.2d 1651, 1656 n.12 (T.T.A.B. 2014) (noting that the Board routinely permits designation of sensitive business information as confidential).

interest in “protecting confidential information and protecting against its inappropriate release.”<sup>410</sup>

The Board concluded that CME “failed to clearly demonstrate good cause and a need” for in-house counsel to have access to ICE’s confidential information, and so it denied the motion for amendment of the protective order.<sup>411</sup>

Applicability of the European Union’s GDPR: CME raised the issue of whether ICE may redact names, addresses, and other information from its documents and electronically stored information (“ESI”) originating in the European Union (“EU”) on the basis that the GDPR requires such redaction. ICE argued that forcing it to produce such information could subject it to monetary penalties under the GDPR.

The GDPR is an EU regulation that seeks to protect the privacy of EU citizens’ personal data by limiting transfer of such information among EU member states as well as between EU countries and the United States.<sup>412</sup> The Board noted that the GDPR does not bar disclosure of protected information when “the transfer is necessary for the establishment, exercise or defence of legal claims,” provided that the information is “relevant and necessary” to the litigation.<sup>413</sup>

The Supreme Court has set out five factors to be considered in balancing the interests of the United States and the party seeking discovery, on the one hand, and the foreign state’s interest in secrecy, on the other hand:

- (1) the importance to the litigation of the documents or other information requested;
- (2) the degree of specificity of the request;
- (3) whether the information originated in the United States;
- (4) the availability of alternative means of securing the information; and
- (5) the extent to which noncompliance with the request would undermine important interests of the United States, or compliance with the request would undermine important interest of the state where the information is located.<sup>414</sup>

As to the first factor, the Board concluded that the identity and contact information of current or former employees and others is directly relevant to the claims in dispute, in order to authenticate documents, identify parties who may have discoverable information,

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<sup>410</sup> *Id.* at \*10.

<sup>411</sup> *Id.*

<sup>412</sup> *Id.* at \*11.

<sup>413</sup> *Id.* at \*12-13.

<sup>414</sup> *Societe Nationale Industrielle Aerospatiale v. U.S. Dist. Court*, 482 U.S. 522, 544 n.28 (1987).

and determine how the involved mark is used. ICE failed to show why “basic discoverable information” submitted under the SPO should be redacted.<sup>415</sup>

As to the second factor, CME narrowed its requests to seek only “representative documents.” That was sufficiently specific since it seeks business records commonly produced in U.S. litigation and is not unduly burdensome.

As to the third, although some of the requested information is stored on servers in the EU, discovery is normally permitted, “particularly where the documents, even if located in foreign countries, are in the possession or control of the U.S. company.”<sup>416</sup>

Under the fourth factor, ICE argued that it will produce information regarding U.S.-based personnel, and therefore EU-related materials would be unnecessary. The Board, however, concluded that this approach was not acceptable because it is not the same as supplying the basic, discoverable information regarding the names of those who have sent or received communications.

As to the fifth factor, sometimes considered the “most important,”<sup>417</sup> the Board pointed out that the United States has a “strong interest in ensuring parties in proceedings before the Board have access to the information they need to litigate their claims and for the Board to fully and fairly adjudicate them.”<sup>418</sup> Moreover, “[t]he interest of the United States to determine the registrability of marks under U.S. trademark law and their entry on the Trademark Register is substantial and requires the production of relevant discovery.”<sup>419</sup>

ICE asserted that it was at risk of substantial monetary penalties under the GDPR, but it did not identify how disclosure of the information would violate the GDPR when a protective order is in place, nor did it show that there has been any enforcement of the GDPR when information has been produced under a protective order in U.S. litigation.

Weighing all the factors, the Board found that ICE is sufficiently protected by the SPO. Therefore, ICE was ordered to produce the requested information in unredacted form under the appropriate tier of confidentiality.

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<sup>415</sup> *Intercontinental Exch.*, 2021 U.S.P.Q.2d 988, at \*15.

<sup>416</sup> *Id.* at \*16-17. *See, e.g.*, *U.S. v. Vetco, Inc.*, 691 F.2d 1281, 1290 (9th Cir. 1980) (where Swiss corporations were controlled subsidiaries of U.S. firms, the third factor weighed in favor of production).

<sup>417</sup> *Id.* at \*17-18, quoting *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468, 1476 (9th Cir. 1992).

<sup>418</sup> *Id.* at \*18.

<sup>419</sup> *Id.*

*c. Sanctions for Violation of Standard Protective Order**Revolution Jewelry Works, Inc. v. Stonebrook Jewelry LLC*

Opposer Revolution Jewelry Works disclosed Applicant Stonebrook Jewelry's attorneys'-eyes-only ("AEO") information in a TTAB filing and allowed its principal to attend an AEO deposition unbeknownst to Stonebrook. Stonebrook moved for judgment as a sanction for violation of the Standard Protective Order, but the Board refused to go that far, finding lesser sanctions appropriate.<sup>420</sup>

Under Rule 2.116(g),<sup>421</sup> the Board's Standard Protective Order ("SPO") is automatically in place in every inter partes proceeding, to govern the exchange of information between parties. The SPO provides that information marked "Attorneys' Eyes Only" may be viewed only by outside counsel for the parties (and by independent experts or consultants).

Here, during a video deposition under FRCP 30(b)(6) in which Stonebrook's principal, Eric Platt, was the designated witness, Stonebrook produced to Revolution certain documents marked Attorneys'-Eyes-Only (including tax filings and a customer list with purchase amounts). Prior to the deposition, the parties had agreed that the entire deposition would be designated AEO. Counsel for Revolution did not reveal that Jennifer Farnes, Revolution's president and majority shareholder, was present with Revolution's counsel during the deposition.

Stonebrook first learned that Farnes attended the deposition in a response to Stonebrook's summary judgment motion, which response included a declaration from Farnes stating that she attended the deposition and commenting on Platt's testimony. She included one of Stonebrook's AEO documents as an exhibit to her declaration.

Stonebrook moved for entry of judgment as a sanction. Revolution's counsel, in response, stated that the violation was "unintentional" and entirely the fault of counsel. He feebly asserted that he thought a protective order still had to be negotiated, that each party could be privy to the other's depositions without violating any order, and that documents would later be designated confidential. Counsel also argued that the filing of the Farnes declaration showed that counsel did not act in bad faith, and he maintained that Revolution gained no advantage in this proceeding by her attendance at the deposition.

Under Rule 2.120(h)(1),<sup>422</sup> the Board may enter appropriate sanctions for violation of a Board order relating to discovery,

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<sup>420</sup> *Revolution Jewelry Works, Inc. v. Stonebrook Jewelry, LLC*, 2022 U.S.P.Q.2d 229 (T.T.A.B. 2022).

<sup>421</sup> Trademark Rule 2.116(g), 37 C.F.R. § 2.116(g).

<sup>422</sup> Trademark Rule 2.120(h)(1), 37 C.F.R. § 2.120(h)(1), provides, in pertinent part:

including the Standard Protective Order. The sanctions may include those set forth in FRCP 37(b)(2), such as prohibiting the introduction of matters into evidence, striking pleadings, or entering judgment.<sup>423</sup> The Board also has the power to enter sanctions “that extends from the Board’s ‘inherent authority to control the disposition of cases on its docket.’”<sup>424</sup>

Entry of judgment is a “harsh” sanction,<sup>425</sup> generally “warranted in cases of repeated failure to comply with orders of the Board, where a lesser sanction would not be effective.”<sup>426</sup> Counsels’ professed ignorance that the Standard Protective Order was automatically in place did not excuse their actions in allowing their client to covertly view AEO information. An attorney representing a party “is expected to know and strictly comply with the Trademark Rules of Practice and, where applicable, the Federal Rules of Civil Procedure.”<sup>427</sup>

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If a party fails . . . to comply with an order of the Trademark Trial and Appeal Board relating to disclosure or discovery, including a protective order, the Board may make any appropriate order, including those provided in Rule 37(b)(2) of the Federal Rules of Civil Procedure, except that the Board will not hold any person in contempt or award expenses to any party.

<sup>423</sup> Under Rule 37(b)(2) of the Federal Rules of Civil Procedure, the sanctions may include:

- (i) directing that the matters embraced in the order or other designated facts be taken as established for purposes of the action, as the prevailing party claims;
- (ii) prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence;
- (iii) striking pleadings in whole or in part;
- (iv) staying further proceedings until the order is obeyed;
- (v) dismissing the action or proceeding in whole or in part;
- (vi) rendering a default judgment against the disobedient party; or
- (vii) treating as contempt of court the failure to obey any order except an order to submit to a physical or mental examination.

<sup>424</sup> *Revolution Jewelry*, 2022 U.S.P.Q.2d 229, at \*8, citing *Carrini Inc. v. Carla Carini S.r.l.*, 57 U.S.P.Q.2d 1067, 1071 (T.T.A.B. 2000). *See also* *Chambers v. NASCO, Inc.*, 501 U.S. 32, 50 (1991) (stating that “[i]f in the informed discretion of the court, neither the statute nor the Rules are up to the task [of sanctioning bad-faith conduct], the court may safely rely on its inherent power.”).

<sup>425</sup> *Id.* at \*7. *See* *Baron Philippe de Rothschild S.A. v. Styl-Rite Optical Mfg. Co.*, 55 U.S.P.Q.2d 1848, 1854 (T.T.A.B. 2000) (“Default judgment is a harsh remedy, but is justified where no less drastic remedy would be effective, and there is a strong showing of willfulness.”).

<sup>426</sup> *Id.* at \*7-8. *See* *Benedict v. Super Bakery, Inc.*, 665 F.3d 1263, 101 U.S.P.Q.2d 1089, 1093 (Fed. Cir. 2011); *cf.* *Nabisco Inc. v. Wm. Wrigley Jr. Co.*, 40 U.S.P.Q.2d 1251, 1254-55 (T.T.A.B. 1995) (denial of motion for judgment for violation of protective order due to failure to file confidential evidence under seal, where insufficient showing of willfulness, no evidence that the filing at issue contained truly confidential information, and the alleged deficiency was cured promptly).

<sup>427</sup> *Id.* at \*9. *See* *McDermott v. S. F. Women’s Motorcycle Contingent*, 87 U.S.P.Q.2d 1212, 1212 n.2 (T.T.A.B. 2006) (strict compliance with the rules is required of all parties before the Board).

The Board found it troubling that, putting aside counsels' lack of attention to the rules and the Board's protective order, they disregarded the agreement that the deposition was to be AEO and showed their client documents marked "AEO." And as a matter of common courtesy and transparency, they would be expected to identify all those present at the deposition.

Revolution's contention that access to the AEO information gave it no advantage in this proceeding was meritless: access allowed Farnes to attempt to undermine the testimony of Stonebrook's principal, and it ignored the purpose of the AEO designation "to prevent an unfair competitive advantage in the marketplace."<sup>428</sup>

The Board concluded that sanctions were necessary to deter similar conduct in the future. As required by precedent, the Board first considered lesser sanctions than entry of judgment, and it found the following sanctions to be "sufficiently effective and appropriate for the violations":<sup>429</sup>

- Counsel for Opposer, Mr. Simpson and Ms. Olson, are barred from accessing, viewing, or discussing documents produced by Applicant designated "Attorneys' Eyes Only" for the duration of this proceeding;
- Mr. Simpson and Ms. Olson are also barred from serving, filing and signing submissions in this proceeding or participating in trial depositions;
- Opposer is barred from introducing at trial or on summary judgment Applicant's documents that were designated "Attorneys' Eyes Only" and the Rule 30(b)(6) deposition of Mr. Platt;
- Opposer is barred from deposing Mr. Platt again for any reason, including cross-examination if Applicant presents his testimony at trial or on summary judgment; and
- Opposer is barred from presenting at trial or on summary judgment any testimony, whether in the form of an oral deposition or declaration, from Jennifer Farnes, Opposer's President.<sup>430</sup>

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<sup>428</sup> *Id.* at \*12.

<sup>429</sup> *Id.* at \*13.

<sup>430</sup> *Id.* at \*13-14.

## 9. Motion Practice

### *a. Motion for Relief from Judgment*

#### *Rwachsberg Holdings Inc. and Apollo Health and Beauty Care Inc. v. Grüne Erde Beteiligungs GmbH*

In an unvarnished application of Trademark Rule 2.68(a),<sup>431</sup> the Board denied Applicant Grüne Erde's motion for relief from judgment after Grüne Erde had filed an express abandonment of its opposed multi-class application for the mark GRÜNE ERDE in design form. The Board had deemed the application abandoned in its entirety without prejudice (since the opposers had consented to the withdrawal) and it dismissed the opposition without prejudice. Grüne Erde claimed that it had mistakenly failed to limit the abandonment to its Class 3 goods, the only target of the opposition, and it asked the Board to allow it to withdraw the abandonment. No dice, said the Board.<sup>432</sup>

Fed. R. Civ. P. 60(b)(1) provides that a party may be relieved from a final judgment, order, or proceeding because of "mistake, inadvertence, surprise, or excusable neglect." However, Rule 2.68 "unequivocally states that '[a] request for abandonment or withdrawal may not subsequently be withdrawn.'"<sup>433</sup> Therefore, Grüne Erde's requested withdrawal of its express abandonment was impermissible.

End of story.<sup>434</sup>

### *b. Motion to Amend Notice of Opposition*

#### *Topco Holdings, Inc. v. Hand 2 Hand Indus., LLC*

Under Rule 15 of the Federal Rules of Civil Procedure, the Board granted Opposer Topco's motion for leave to amend and supplement its notice of opposition to expand its Section 2(d) claim by pleading two applications filed after the opposition was commenced, and also

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<sup>431</sup> Trademark Rule 2.68(a), 37 C.F.R. § 2.68(a), provides that:

An applicant may expressly abandon an application by filing a written request for abandonment or withdrawal of the application, signed by the applicant, someone with legal authority to bind the applicant (e.g., a corporate officer or general partner of a partnership), or a practitioner qualified to practice under § 11.14 of this chapter, in accordance with the requirements of § 2.193(e)(2). **A request for abandonment or withdrawal may not subsequently be withdrawn.**

(emphasis by the Board).

<sup>432</sup> *Rwachsberg Holdings Inc. and Apollo Health and Beauty Care Inc. v. Grüne Erde Beteiligungs GmbH*, 2021 U.S.P.Q.2d 926 (T.T.A.B. 2021).

<sup>433</sup> *Id.* at \*5.

<sup>434</sup> While the subject motion was pending, Grüne Erde filed new applications for its mark to cover the same goods and services, except for the Class 3 goods. It had, however, lost the benefit of its original filing date in 2018.

by pleading common law rights in one of its registered marks. Topco opposed registration of READY4LIFE for sanitizers for personal use, alleging a likelihood of confusion with its registered marks READY FOR LIFE and SIMPLY DONE READY FOR LIFE for various personal goods and cleaning products. After Applicant Hand 2 Hand had answered, Topco filed its motion to amend and supplement. The Board found no bad faith, no undue delay, and no evidence that Hand 2 Hand would be prejudiced by the delay in filing, and it concluded that judicial economy would be served by granting the motion.<sup>435</sup>

Fed. R. Civ. P. 15(a)(2) “encourages the Board to look favorably on motions to amend, stating that the Board ‘should freely give leave when justice so requires.’”<sup>436</sup> Nevertheless, “a motion for leave to amend should be filed as soon as any ground for such amendment becomes apparent.”<sup>437</sup>

In considering a motion to amend, the Board may take into account any undue delay, prejudice to the opposing party, bad faith or dilatory motive, futility of the amendment, and the number of previous amendments.<sup>438</sup> The timing of the motion to amend plays a large role in determining whether the other party would be prejudiced by the amendment.<sup>439</sup> The Board may conclude that if there is no prejudice, there is no undue delay.<sup>440</sup>

Fed. R. Civ. P. 15(a) Motion to Amend: Topco’s motion to add common law rights fell under Fed. R. Civ. P. 15(a). The Board found no evidence of bad faith or dilatory motive on Topco’s part, observing that it is not improper to seek to introduce additional support for a likelihood of confusion claim. Furthermore, this was Topco’s first motion to amend.

Although Topco could have pleaded these common law rights in its notice of opposition, it did not unduly delay with its motion. Arguably the “added goods”—“anti-bacterial hand wipes for personal use” and “disposable sanitizing personal wipes”—are encompassed within Topco’s original allegation of rights in “cleaning goods such as disposable wipes.” “Opposer’s new allegations clarify and amplify these alleged common law rights.”<sup>441</sup> Three months remained in the discovery period when Topco filed its

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<sup>435</sup> Topco Holdings, Inc. v. Hand 2 Hand Indus., LLC, 2022 U.S.P.Q.2d 54 (T.T.A.B. 2022).

<sup>436</sup> *Id.* at \*4.

<sup>437</sup> *Id.* at \*5. See Media Online Inc. v. El Clasificado Inc., 88 U.S.P.Q.2d 1285 (T.T.A.B. 2008); Trek Bicycle Corp. v. StyleTrek Ltd., 64 U.S.P.Q.2d 1540, 1541 (T.T.A.B. 2001).

<sup>438</sup> See Foman v. Davis, 371 U.S. 178, 182 (1962); See also TBMP § 507.02 (2021).

<sup>439</sup> Embarcadero Techs., Inc. v. Delphix Corp., 117 U.S.P.Q.2d 1518, 1523 (T.T.A.B. 2016).

<sup>440</sup> See Am. Express Mktg. & Dev. Corp. v. Gilad Dev. Corp., 94 U.S.P.Q.2d 1294, 1297 (T.T.A.B. 2010) (although delay was substantial, no prejudice where proceedings were still in the discovery stage and non-movant could be afforded time in which to take discovery).

<sup>441</sup> Topco Holdings, 2022 U.S.P.Q.2d 54, at \*8.



motion, ample time for Applicant Hand 2 Hand to obtain discovery on the added allegations.

The Board concluded that “the interests of justice and judicial economy would be served by permitting all claims between the parties to be adjudicated.”<sup>442</sup>

Fed. R. Civ. P. 15(d) Motion to Supplement: Topco’s request to add the two applications filed after the proceeding was commenced fell under Fed. R. Civ. P. 15(d), which expressly provides for the supplementation of proceedings to allege such post-commencement events.<sup>443</sup> Courts and the Board have applied the same analysis to a Fed. R. Civ. P. 15(d) motion to supplement as they apply to a Fed. R. Civ. P. 15(a) motion to amend.<sup>444</sup> The Board again found no bad faith, no undue delay, and no evidence that the applicant would be prejudiced by the delay in filing. Again, judicial economy would be served by allowing the amendment.

Applicant Hand 2 Hand argued that this amendment would be futile because the new filing dates were later than its filing date for the opposed applications. The Board, however, concluded that the newly pleaded applications “[a]t a minimum . . . may be relevant to Opposer’s entitlement to a statutory cause of action.”<sup>445</sup>

“Affirmative Defenses”: Finally, The Board *sua sponte* struck Hand 2 Hand’s “affirmative defense” of failure to state a claim upon which relief can be granted because that is “not a true affirmative defense.”<sup>446</sup> It allowed several other purported affirmative defenses to remain in the Answer, although they were merely amplifications of Hand 2 Hand’s denials.<sup>447</sup> And the Board struck as improper Hand 2 Hand’s claimed “reservation of right” to assert additional affirmative defenses, since such addition would require a motion for leave to amend.<sup>448</sup>

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<sup>442</sup> *Id.* at \*8-9. *See* Space Base Inc. v. Stadis Corp., 17 U.S.P.Q.2d 1216, 1217 n.1 (T.T.A.B. 1990) (opposer allowed to amend its complaint to plead ownership of a newly issued registration despite unreasonable delay because judicial economy would be served and any prejudice could be mitigated by reopening discovery for applicant).

<sup>443</sup> Rule 15(d) of the Federal Rules of Civil Procedure provides that “the court may, on just terms, permit a party to serve a supplemental pleading setting out any transaction, occurrence or event that happened after the date of the pleading to be supplemented.”

<sup>444</sup> *See, e.g.*, Glatt v. Chi. Park Dist., 87 F.3d 190, 194 (7th Cir. 1996).

<sup>445</sup> *Topco Holdings*, 2022 U.S.P.Q.2d 54, at \*10. *See* Toufigh v. Persona Parfum, Inc., 95 U.S.P.Q.2d 1872, 1874 (T.T.A.B. 2010) (entitlement shown by petitioner’s allegation that he filed an application to register an identical mark to the one he sought to cancel).

<sup>446</sup> *Id.* at \*10-11. *See* John W. Carson Found. v. Toilets.com, Inc., 94 U.S.P.Q.2d 1942, 1949 (T.T.A.B. 2010).

<sup>447</sup> *See, e.g.*, ProMark Brands Inc. v. GFA Brands, Inc., 114 U.S.P.Q.2d 1232, 1236 n.11 (T.T.A.B. 2015).

<sup>448</sup> *See* Philanthropist.com, Inc. v. The Gen. Conf. Corp. of Seventh-Day Adventists, 2021 U.S.P.Q.2d 643, at \*4 n.6 (T.T.A.B. 2021).

*c. Timeliness of Motion for Summary Judgment*

*Lumber Liquidators Services, LLC v. Columbia Insurance Co.*

The Board denied Opposer Lumber Liquidator's request for reconsideration of the denial of its summary judgment motion because the motion was untimely. A summary judgment motion must be filed before the deadline date for pre-trial disclosures, but Lumber Liquidator filed its motion three days after the deadline. Lumber incorrectly applied Rule 2.196 in adding three days to the deadline.<sup>449</sup>

Rule 2.127(e)(1)<sup>450</sup> states, in pertinent part, that “[a] motion for summary judgment must be filed before **the day of the deadline** for pretrial disclosures for the first testimony period, as originally set or as reset.”<sup>451</sup> Lumber Liquidator's pre-trial disclosures were due on Saturday, July 3, 2021, after the Board granted a consented motion for extension of discovery and trial dates. Lumber Liquidators filed its summary judgment motion on July 5, 2021, and claimed that its pre-trial disclosures were not due until July 6th, since July 3rd was a Saturday, July 4th a Sunday, and July 5th a Federal holiday. Thus, it argued, the motion was timely filed on the day before its pre-trial disclosures were due.

Rule 2.196,<sup>452</sup> entitled “Times for taking action: Expiration of Saturday, Sunday or Federal holiday,” states:

Whenever periods of time are specified in this part in days, calendar days are intended. When the day, or the last day fixed by statute or by regulation under this part for taking any action or paying any fee in the Office falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, **the action may be taken, or the fee paid, on the next succeeding day that is not a Saturday, Sunday, or a Federal holiday.**<sup>453</sup>

The Board observed that Rule 2.196 does not use the terms “deadline” or “due date.” The “day of the deadline” referred to in Rule 2.127(e)(1) may, of course, be a Saturday, Sunday or Federal holiday. Therefore, the issue at hand was “whether Trademark Rule 2.196 applies in determining the timeliness of a motion for summary judgment that is filed subsequent to ‘the day of the

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<sup>449</sup> Lumber Liquidators Servs., LLC v. Columbia Ins. Co., 2022 U.S.P.Q.2d 31 (T.T.A.B. 2022).

<sup>450</sup> Trademark Rule 2.127(e)(1), 37 C.F.R. § 2.127(e)(1).

<sup>451</sup> *Lumber Liquidators*, 2022 U.S.P.Q.2d 31, at \*2 (emphasis by the Board).

<sup>452</sup> Trademark Rule 2.196, 37. C.F.R. § 2.196.

<sup>453</sup> *Lumber Liquidators*, 2022 U.S.P.Q.2d 31, at \*3 (emphasis by the Board).

deadline for pretrial disclosures for the first testimony period, as originally set or as reset.”<sup>454</sup> The Board said no.

Trademark Rule 2.196 is stated “so as to address and provide guidance on the timeliness of a wide range of actions during the lifecycle of an application or registration”<sup>455</sup>; for example, a response to an Office action, the filing of a petition to the director, the filing of a notice of opposition, or the filing of a notice of appeal from a final refusal. Rule 2.196 defines when “the action may be taken.”<sup>456</sup>

Trademark Rule 2.127(e)(1) was adopted and subsequently clarified “in order to establish certainty in the litigation schedule by highlighting the separation between the discovery and trial phases of proceedings, thereby serving to avoid surprise to parties at the time when they are focused on and preparing for trial.”<sup>457</sup>

The Board faced a similar issue in *Asustek Computer Inc. v. Chengdu Westhouse Interactive Entertainment Co.*,<sup>458</sup> involving a motion to compel discovery. Pursuant to Rule 2.120(f)(1), such a motion must be filed “before the day of the deadline for pretrial disclosures for the first testimony period as originally set or as reset.”<sup>459</sup> The Board rejected Asustek’s position that, because the day before the deadline day was a Sunday, it could timely file its motion on the following day. Not so said the Board. The motion to compel had to be filed before the deadline day.

In *Asustek*, the Board pointed out that Rule 2.196 “does not apply to the relevant provision of Trademark Rule 2.120(f)(1), which does not fix a particular day by which a motion to compel must be filed, but instead ensures that the motion be filed before the day of **another** event (pretrial disclosures) occurs.”<sup>460</sup> The Board, anticipating that similar timeliness issues might arise with respect to a motion for summary judgment, stated that “[m]otions for summary judgment, just as motions relating to discovery, must be filed before the proceeding enters the trial phase.”<sup>461</sup>

In the case at hand, the Board observed that “[t]he overriding interest in assuring that all matters relating to the discovery phase are closed and resolved prior to trial is evident in and achieved from

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<sup>454</sup> *Id.* at \*3-4.

<sup>455</sup> *Id.* at \*4.

<sup>456</sup> *Id.*

<sup>457</sup> *Id.* at \*5. See *KID-Systeme GmbH v. Turk Hava Yollari Teknik Anonim Sirketi*, 125 U.S.P.Q.2d 1415, 1416 n.3 (T.T.A.B. 2018) (“The deadline for the first pretrial disclosure signals the commencement of the trial portion of the proceeding; once the deadline arrives, the parties are or should be focused on trial, or settlement, but not summary judgment.”).

<sup>458</sup> 128 U.S.P.Q.2d 1470 (T.T.A.B. 2018).

<sup>459</sup> Trademark Rule 2.120(f)(1), 37 C.F.R. § 2.120(f)(1).

<sup>460</sup> *Asustek*, 128 U.S.P.Q.2d at 1470 (emphasis by the Board).

<sup>461</sup> *Id.* at 1471 n.3.

a proper application of Trademark Rule 2.196 to motions for summary judgment as well as motions to compel discovery.”<sup>462</sup>

Here, the trial phase of the proceeding began on July 3, 2021, the due date for the opposer’s pre-trial disclosures. Rule 2.196 operated to extend that due date to July 6, 2021, but “the day of the deadline” was not moved or changed. The last day for filing a motion for summary judgment was not a date “**fixed to**” the day of the deadline for the opposer’s pre-trial disclosures.<sup>463</sup> Therefore, the last day on which either party could file a motion for summary judgment was July 2, 2021, the day before the “day of the deadline” for pretrial disclosures, as reset.

Consequently, Lumber Liquidator’s summary judgment motion was untimely.

#### *d. Motion to Strike Testimony and Evidence*

##### *Icon Health & Fitness, Inc. v. Eifit LLC*

In a dubiously precedential interlocutory order, the Board delivered up a nothingburger to Applicant Eifit LLC on its motion to strike certain of Opposer Icon Health’s testimony and evidence. The Board deferred until trial any ruling as to a number of objections that raised substantive issues. With respect to Eifit’s procedural objections, the Board either overruled them or accepted Icon’s amended notices of reliance.<sup>464</sup>

Eifit moved to strike three of Icon Health’s seven notices of reliance, as well as all three of Icon’s testimony declarations. Eifit’s motion was timely as to the alleged procedural deficiencies. As to the substantive objections that Eifit raised, the Board pointed out that it does not read trial evidence or testimony or review other trial evidence prior to final decision.<sup>465</sup>

With regard to the three challenged notices of reliance, Eifit contended that they failed to indicate the relevance of the proffered evidence with sufficient particularity.<sup>466</sup> The Board noted that this is a procedural defect that can be cured by the offering party.<sup>467</sup> The parties resolved their disagreement as to one of the notices of

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<sup>462</sup> *Lumber Liquidators*, 2022 U.S.P.Q.2d 31, at \*6-7.

<sup>463</sup> *Id.* at \*7 (emphasis by the Board).

<sup>464</sup> *Icon Health & Fitness, Inc. v. Eifit LLC*, 2022 U.S.P.Q.2d 315 (T.T.A.B. 2022).

<sup>465</sup> *Id.* at \*4. *See Genesco Inc. v. Martz*, 66 U.S.P.Q.2d 1260, 1263 (T.T.A.B. 2003).

<sup>466</sup> *See* Trademark Rule 2.122(g), 37 C.F.R. § 2.122(g), which provides, in pertinent part:

For all evidence offered by notice of reliance, the notice must indicate generally the relevance of the evidence and associate it with one or more issues in the proceeding. Failure to identify the relevance of the evidence, or associate it with issues in the proceeding, with sufficient specificity is a procedural defect that can be cured by the offering party within the time set by Board order.

<sup>467</sup> *See STX Fin., LLC v. Terrazas*, 2020 U.S.P.Q.2d 10989, at \*2 (T.T.A.B. 2020); *Safer, Inc. v. OMS Invs., Inc.*, 94 U.S.P.Q.2d 1031, 1040 (T.T.A.B. 2010)).

reliance; the Board found that a second notice of reliance complied with the Rule; and as to the third, the Board accepted Icon's appropriately amended notice of reliance.

With regard to the testimony declarations, Eifit raised mostly substantive objections (for example, hearsay, lack of authentication), as to which the Board deferred decision until trial. The Board did rule on one procedural objection: Eifit claimed that Icon improperly submitted its own interrogatory answers as an exhibit to one of the declarations. The Board overruled that objection, pointing to Rule 2.120(k)(6)<sup>468</sup> and observing that—in contrast to a notice of reliance—a party may offer its own interrogatory answers during the examination of a witness, including as an exhibit to a testimony declaration.<sup>469</sup>

Finally, the Board noted that Eifit should renew its substantive objections either in its brief on the case, or in an appendix thereto, or in a separate statement of objections filed with its brief. Otherwise, they will be considered waived.<sup>470</sup>

### ***e. Motion to Re-open Discovery and Testimony Periods***

*Conopco, Inc. v.*

*Transom Symphony OpCo, LLC DBA Beauty Quest Group*

The Board denied Opposer Conopco's motion to re-open its discovery and trial periods, granted Applicant Transom's motion under Section 18<sup>471</sup> to narrow its identification of goods, and dismissed this Section 2(d) opposition to registration of LUX ENHANCER for certain hair care products in view of Conopco's registered mark LUX (stylized) for "soap and body cleansing wash."<sup>472</sup>

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<sup>468</sup> Trademark Rule 2.120(k)(6), 37 C.F.R. § 2.120(k)(6), states that a party shall not be precluded from "reading or use of written disclosures or documents, a discovery deposition, or answer to an interrogatory, or admission as part of the examination or cross-examination of any witness during the testimony period of any party."

<sup>469</sup> See *W. End Brewing Co. v. S. Australian Brewing Co.*, 2 U.S.P.Q.2d 1306, 1308 n.3 (T.T.A.B. 1987) (considering witness trial testimony regarding veracity of interrogatory responses, citing Trademark Rule 2.120(j)(6)).

<sup>470</sup> See, e.g., *Wet Seal Inc. v. FD Mgmt. Inc.*, 82 U.S.P.Q.2d 1629, 1632 (T.T.A.B. 2007) (objection to testimony waived when not renewed in brief). See also TBMP § 707.04.

<sup>471</sup> Section 18 of the Lanham Act, 15 U.S.C. § 1068, provides, in pertinent part, that in an opposition proceeding "the Director may . . . modify the application . . . by limiting the goods or services specified therein . . ."

<sup>472</sup> *Conopco, Inc. v. Transom Symphony OpCo, LLC DBA Beauty Quest Group*, 2022 U.S.P.Q.2d 504 (T.T.A.B. 2022).



Motion to Re-open: When Conopco failed to file its main brief in the case, the Board issued a show cause order under Rule 2.128(a)(3),<sup>473</sup> asking why this failure should not be treated as a concession of the case. Because Conopco's response indicated that it had not lost interest in the case, the Board discharged the show cause order, noting that "[i]t is the policy of the Board not to enter judgment against a plaintiff for failure to file a main brief where the plaintiff, in its response to the show cause order, indicates that it has not lost interest in the case."<sup>474</sup>

The Board then turned to Conopco's motion to re-open its discovery and testimony periods, pointing out that one must show "excusable neglect" in order to justify the requested re-opening.<sup>475</sup> Conopco failed to do so. Applying the Supreme Court's *Pioneer*<sup>476</sup> factors, the Board noted that Conopco waited nineteen months before seeking to re-open the discovery period. Conopco offered no reason why it was not diligent in prosecuting the case. The Board concluded that "the reason for the delay was completely within [Conopco's] control and this weighs strongly against finding excusable neglect."<sup>477</sup>

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<sup>473</sup> Trademark Rule 2.128(a)(3), 37 C.F.R. § 2.128(a)(3), states:

When a party in the position of plaintiff fails to file a main brief, an order may be issued allowing plaintiff until a set time, not less than fifteen days, in which to show cause why the Board should not treat such failure as a concession of the case. If plaintiff fails to file a response to the order, or files a response indicating that plaintiff has lost interest in the case, judgment may be entered against plaintiff. If a plaintiff files a response to the order showing good cause, but does not have any evidence of record and does not move to reopen its testimony period and make a showing of excusable neglect sufficient to support such reopening, judgment may be entered against plaintiff for failure to take testimony or submit any other evidence.

<sup>474</sup> *Conopco*, 2022 U.S.P.Q.2d 504, at \*4. See *Vital Pharms. Inc. v. Kronholm*, 99 U.S.P.Q.2d 1708, 1710 (T.T.A.B. 2011); TBMP §§ 536 and 801.02(a) (2021).

<sup>475</sup> See *Vital Pharms.*, 99 U.S.P.Q.2d at 1710 n.11; *Gaylord Ent. Co. v. Calvin Gilmore Prods. Inc.*, 59 U.S.P.Q.2d 1369, 1372 (T.T.A.B. 2000). See also Fed. R. Civ. P. 6(b)(1)(B); TBMP §§ 509.01(b)(1) and 536.

<sup>476</sup> *Pioneer Inv. Servs. Co. v. Brunswick Assocs. L.P.*, 507 U.S. 380, 395 (1993). The *Pioneer* factors are: (1) the danger of prejudice to the [nonmovant], (2) the length of the delay and its potential impact on judicial proceedings, (3) the reason for the delay, including whether it was within the reasonable control of the movant, and (4) whether the movant acted in good faith. The Board noted that "several courts have stated that the third factor may be considered the most important in any particular case." *Conopco*, 2022 U.S.P.Q.2d 504, at \*5. See, e.g., *Pumpkin Ltd. v. Seed Corps*, 43 U.S.P.Q.2d 1582, 1586 n.7 (T.T.A.B. 1997).

<sup>477</sup> *Conopco*, 2022 U.S.P.Q.2d 504, at \*7.

The Board consequently denied the motion to re-open.

**Likelihood of Confusion:** Conopco did manage to get its registration into evidence by way of its original pleading; of course, the opposed application was automatically of record.<sup>478</sup>

The Board unsurprisingly deemed the involved marks to be “very similar in overall appearance, sound, connotation and commercial impression.”<sup>479</sup> As to the goods, the Board found the “non-medicated cosmetic soap” in Applicant Transom’s original identification of goods to be broad enough to encompass Conopco’s “soap and body cleansing wash.” These overlapping goods are presumed to travel through the same trade channels to the same classes of consumers.<sup>480</sup> And so, the Board found confusion likely as to the goods in Transom’s original identification.

**Applicant’s Amended Goods:** The Board next turned to Transom’s proposed amendment to its identification of goods: namely, “hair care preparations excluding soap and body cleaning wash, and distributed through and used by hair stylists and other hair care professionals.” The Board found no evidence that hair care preparations are related to Conopco’s soap and body cleansing wash, nor evidence that the normal channels of trade for Conopco’s goods would include distribution through hair stylists and other hair care professionals. “Accordingly, although the parties’ marks are quite similar, we find that the proposed amendment would obviate a likelihood of confusion between the marks.”<sup>481</sup>

However, the Board found that Transom’s proposed language “excluding soap and body cleaning wash” fell outside the scope of “hair care preparations.” Nonetheless, under the authority of Section 18, the Board amended Transom’s identification of goods to read: “Hair care preparations distributed through and used by hair stylists and other hair care professionals.”

The Board then dismissed the opposition.

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<sup>478</sup> See Trademark Rule 2.122(b)(1), 37 C.F.R. § 2.122(b)(1), which provides, in pertinent part, that “[t]he file of . . . the application against which a notice of opposition is filed . . . forms part of the record of the proceeding without any action by the parties.”

<sup>479</sup> *Conopco*, 2022 U.S.P.Q.2d 504, at \*14.

<sup>480</sup> *Id.* at \*16, citing *Cai v. Diamond Hong, Inc.*, 901 F.3d 1367, 127 U.S.P.Q.2d 1797, 1801 (Fed. Cir. 2018); *In re Viterro Inc.*, 101 U.S.P.Q.2d 1905, 1908 (Fed. Cir. 2012) (legally identical goods are presumed to travel in same channels of trade to same class of purchasers); *In re Yawata Iron & Steel Co.*, 403 F.2d 752, 159 U.S.P.Q. 721, 723 (C.C.P.A. 1968) (where there are legally identical goods, the channels of trade and classes of purchasers are considered to be the same).

<sup>481</sup> *Id.* at \*18.

## PART III. LITIGATION IN THE FEDERAL COURTS AND STATE COURTS OF GENERAL JURISDICTION

### *A. Infringement, Unfair Competition, and Related Torts*

#### 1. Establishing Liability

##### *a. Liability for Violations of Trademark and Service Mark Rights*

##### i. Defining Claimed Marks

Although the definitions of trademark and service mark found in Section 45 of the Lanham Act<sup>482</sup> are deliberately broad, that breadth does not always discourage defendants, especially in litigation to protect nonverbal marks such as trade dress, from challenging the adequacy of plaintiffs' descriptions of their claimed marks. Some of those challenges took the form of motions to dismiss over the past year, while others manifested themselves as bids for summary judgment; likewise, some challenges succeeded while others failed.

As usual, the strategy of including photographs of claimed marks and trade dresses in opening pleadings bore fruit. For example, adidas America and its parent company successfully escaped a motion to dismiss in an action in which those plaintiffs attached to their complaint twenty-four federal registrations of marks featuring three parallel stripes and referred to by the court collectively as the "Three-Stripe Mark."<sup>483</sup> The defendant claimed in a motion to dismiss that it could not understand the nature of the claims against it because, as the court summarized its position, the marks covered by those registrations "have such significant variation that they cannot constitute a single Three-Stripe Mark."<sup>484</sup> The court rejected that argument, holding instead that "[t]he Complaint consistently refers to its Three-Stripe Mark as a unitary mark, identifies the registrations depicting specific executions of the Mark, and includes numerous photographic examples of varied executions of the Mark."<sup>485</sup> Moreover, it added, other courts had "consistently referred to adidas' Three-Stripe Mark as a unitary mark that is the subject of multiple registrations."<sup>486</sup>

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<sup>482</sup> 15 U.S.C. § 1127 (2018).

<sup>483</sup> See *adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151 (S.D.N.Y. 2022).

<sup>484</sup> *Id.* at 159.

<sup>485</sup> *Id.* (citations omitted).

<sup>486</sup> *Id.* (citing *adidas Am. Inc. v. Skechers USA, Inc.*, 890 F.3d 747, 752 (9th Cir. 2018) ("adidas is also known for its Three-Stripe mark, which has been featured on its products for many years as part of its branding strategy and for which it owns federal trademark registrations."); then citing *adidas Am., Inc. v. Soccer & Soccer, Inc.*, No. 13-CV-7148, 2013 WL 11323120, at \*2 (C.D. Cal. Oct. 25, 2013) ("Adidas holds a number of federal trademark registrations, including several incontestable registrations covering the



Nevertheless, the incorporation of photographs of a claimed mark into a complaint were not necessary to the successful defense of all challenges to the adequacy of mark definitions. Undoubtedly, one of the more frustrated litigants to undertake such a challenge was a defendant accused of infringing the trade dress of a lighted cup holder intended for installation in furniture armrests.<sup>487</sup> That defendant unsuccessfully moved to dismiss the allegations against it for want of a detailed description of what comprised the plaintiff's claimed trade dress. It then unsuccessfully moved for summary judgment on the same theory, only to have the court invoke the description set forth in the report of an expert retained by the plaintiff, which flagged such pedestrian items as the colors of the cup holder, an "elongated C-shaped extension" of the holder's rim, dimples on the rim, icons within the dimples, and "labels on the bottom exterior portion of the cup holder that are of a specific design, shape, position, size and color that include text of a certain font, color and size that include model number, purchase order and date codes, and U.S. Patent Numbers."<sup>488</sup> The disclosure of the report, the court held, merited allowing the plaintiff's claim to proceed to trial.

In contrast, another reported opinion dismissed a complaint alleging infringement of the claimed trade dress of two interactive toy robots.<sup>489</sup> Although the inclusion of photographs in a complaint can go a long way toward defining a claimed mark or dress, that strategy failed to carry the day in light of the "open-ended" wording chosen by the plaintiff, which, the court noted, alleged that "[t]he trade dress components and features of the . . . robots *include both individually in certain instances and collectively*' certain enumerated elements."<sup>490</sup> Faulting the "non-exclusive" nature of the plaintiff's description, the court held that the description failed to give the defendant adequate notice of the accusations against it, in part because "it is unclear whether [the plaintiff] is alleging the existence of trade dress across the series of products—the [two] robots—or for each robot individually."<sup>491</sup>

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Three-Stripe Mark for apparel"); and then citing *adidas-Salomon AG v. Target Corp.*, 228 F. Supp. 2d 1192, 1206 (D. Or. 2002) ("It is undisputed that adidas' Three Stripe Mark is the subject of incontestable federal registrations.").

<sup>487</sup> See *Raffel Sys., LLC v. Man Wah Holdings Ltd., Inc.*, 570 F. Supp. 3d 613 (E.D. Wis. 2021), *reconsideration denied*, No. 18-CV-1765, 2022 WL 154530 (E.D. Wis. Jan. 18, 2022), and *reconsideration denied*, No. 18-CV-1765, 2022 WL 1799493 (E.D. Wis. June 2, 2022).

<sup>488</sup> *Id.* at 634.

<sup>489</sup> See *Digit. Dream Lab's LLC v. Living Tech. (Shenzhen) Co.*, 587 F. Supp. 3d 305 (W.D. Pa. 2022).

<sup>490</sup> *Id.* at 328 (first alteration in original).

<sup>491</sup> *Id.*

So too did a different court hold that photographs of a claimed trade dress did not otherwise cure an inadequate description of a claimed trade dress.<sup>492</sup> In granting a motion to dismiss, the court observed as a threshold matter that “[b]ecause trade dress claims involve intensely factual issues, ‘courts . . . have required trade dress plaintiffs, at the very least, to provide adequate notice by including in their complaint a complete recitation of the concrete elements of [their] alleged trade dress.’”<sup>493</sup> “Moreover,” it continued, “courts . . . have held that ‘images and descriptions . . . of some . . . products are alone insufficient to put [the defendant] on notice of the asserted trade dress’; rather, a complete recitation of the concrete elements of the trade dress is required.”<sup>494</sup> Because the plaintiff had “merely attache[d] a list of images of the alleged infringing goods offered for sale and sold on Defendant’s website” instead of reciting concrete elements of its [own] claimed trade dress,” its averments failed to place the defendant on notice of the nature of the claims against it.<sup>495</sup>

Whatever strategy might work best for defining a claimed mark, one opinion demonstrated that there may be temporal limits on when that definition may be proffered to the court or served on opposing counsel.<sup>496</sup> In the case from which it arose, the plaintiff sought to protect the appearances of the cans used for its line of energy drinks. Those appearances had evolved over time prior to the defendant’s adoption of its allegedly infringing trade dress, but that evolution was nothing like the plaintiff’s relentlessly changing descriptions of its rights during the pendency of the case. The complaint set forth one description, but that changed by the time the plaintiff unsuccessfully moved for a preliminary injunction and changed yet again in the parties’ joint pretrial statement. Against that backdrop of past filings, the court was in no mood to entertain the plaintiff’s attempt to amend its complaint to include yet another revised description of its claimed trade dress following the close of the parties’ evidentiary submissions during a trial. As it explained in denying leave for the amendment:

There’s nothing unjust about requiring [the plaintiff] to stick to the trade-dress definition it proffered throughout the pendency of this litigation. To the contrary, if anything, we think it would be “manifestly unjust” to allow (at this very

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<sup>492</sup> See *YZ Prods., Inc. v. Redbubble, Inc.*, 545 F. Supp. 3d 756 (N.D. Cal. 2021).

<sup>493</sup> *Id.* at 767 (third alteration in original) (quoting *Arcsoft, Inc. v. Cyberlink Corp.*, 153 F. Supp. 3d 1057, 1070 (N.D. Cal. 2015)).

<sup>494</sup> *Id.* (second, third, and fourth alterations in original) (quoting *Crafty Prods., Inc. v. Michaels Cos.*, 424 F. Supp. 3d 983, 991-92 (S.D. Cal. 2019), *aff’d sub nom.* *Crafty Prods., Inc. v. Fuqing Sanxing Crafts Co.*, 839 F. App’x 95 (9th Cir. 2020)).

<sup>495</sup> *Id.* at 768.

<sup>496</sup> See *Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180 (S.D. Fla. 2021).

late stage of the case) [the plaintiff] to fundamentally alter its defined trade dress.<sup>497</sup>

## ii. Establishing Protectable Rights

### (A) *The Effect of Federal Registrations on the Mark-Validity Inquiry*

A plaintiff claiming protectable rights to an unregistered mark or trade dress bears the burden of proving those rights,<sup>498</sup> but what if that plaintiff owns federal registration on the Principal Register? Prior to its owner filing a declaration of incontestability under Section 15,<sup>499</sup> such a registration constitutes “prima facie evidence of the validity of the registered mark.”<sup>500</sup> Most courts to address the issue applied the majority interpretation of that language, which was to hold that it effected a shift in the burden of proof from the registrant to any party challenging the registered mark’s validity.<sup>501</sup> As one explained:

“[R]egistration by the PTO without proof of secondary meaning creates the presumption that the mark is more than merely descriptive, and, thus, that the mark is inherently distinctive. As a result, when a plaintiff sues for infringement of its registered mark, the defendant bears the burden to rebut the presumption of [the] mark’s protectability by a preponderance of the evidence.”<sup>502</sup>

<sup>497</sup> *Id.* at 1242.

<sup>498</sup> *See, e.g.,* Beatriz Ball, L.L.C. v. Barbagallo Co., 40 F.4th 308, 317 (5th Cir. 2022) (“The Supreme Court has held that, ‘in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product’s design is distinctive, and therefore protectible, only upon a showing of secondary meaning.’” (quoting Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 216 (2000)); SoClean, Inc. v. Sunset Healthcare Sols., Inc., 554 F. Supp. 3d 284, 294 (D. Mass. 2021) (“Where a Mark is unregistered, the burden of proof is on the plaintiff to prove that a trade dress mark is eligible for protection because it is used in commerce, non-functional, and distinctive.”), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>499</sup> 15 U.S.C. § 1065 (2018).

<sup>500</sup> *Id.* §§ 1057(c), 1115(a).

<sup>501</sup> *See, e.g.,* Nursery Decals & More, Inc. v. Neat Print, Inc., 568 F. Supp. 3d 681, 696 (N.D. Tex.) (“Here, the parties do not dispute that [the counterclaim plaintiff] successfully registered the marks at issue. Therefore, the Court assumes for purposes of deciding this motion that [the counterclaim plaintiff] has made a prima facie showing of the marks’ validity. To show that it is entitled to the requested relief as a matter of law, [the counterclaim defendant] now [bears] the burden of proving that [the counterclaim plaintiffs] marks are not inherently distinctive.” (third alteration in original) (footnote omitted)), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).

<sup>502</sup> *Thurber v. Finn Acad.*, 583 F. Supp. 3d 437, 446 (W.D.N.Y. 2022) (quoting *Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 192 F.3d 337, 345 (2d Cir. 1999)); *see also* *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 470 (E.D.N.Y. 2021) (“There is a ‘presumption of validity’ that attaches to the issuance of a trademark registration. This rebuttable presumption merely shifts the burden of persuasion to the

Significantly, the Federal Circuit confirmed that the burden-shifting effect of *prima facie* evidence of mark validity applies even if the USPTO erred in issuing a registration.<sup>503</sup> It did so in a case brought by the owner of a federal registration covering a product configuration, which the USPTO registered on the Principal Register without requiring a showing of secondary meaning beyond a bare-bones sworn averment under Section 2(f) of the Act of substantially exclusive and continuous use for the five years preceding the averment.<sup>504</sup> The Federal Circuit was untroubled by that departure from the USPTO's usual operating procedures, and it rejected the argument by a defendant that the registration should not have the usual evidentiary value:

The presumption of validity is not conditional; the statute provides that a certificate of registration “shall” result in the presumption, without specifying any exceptions. [The defendant] fails to identify any statutory or legal basis to withhold the presumption from a registration. And “withholding the presumption” is the basic import of [the defendant’s] position, no matter what it acknowledges about who bears the burden; scrutinizing the application process and deciding whether the trademark examiner was correct to issue the registration in the first place is the opposite of presuming that the registration as issued is valid. [The defendant] may still invoke [15 U.S.C.] § 1119 and ask the district court to rectify the register if [the plaintiff’s] trade dress is deficient; [the defendant] simply bears the burden of proof in doing so, and [the plaintiff] is entitled to rely only on the presumption and need not present any evidence of its own.<sup>505</sup>

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party seeking cancellation, or the alleged infringer.” (quoting *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 712 (S.D.N.Y. 2011)); *JUUL Labs, Inc. v. Chou*, 557 F. Supp. 3d 1041, 1051 (C.D. Cal. 2021) (“Federal registration of a trademark provides *prima facie* evidence of the mark’s validity and entitles the plaintiff to a strong presumption that the mark is protectable. If the plaintiff shows that a mark has been properly registered, the burden shifts to the defendant to show by a preponderance of the evidence that the mark is not protectable.” (citations omitted)), *reconsideration denied*, No. CV 21-3056 DSF (PDx), 2022 WL 4596556 (C.D. Cal. Aug. 22, 2022).

<sup>503</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>504</sup> See 15 U.S.C. § 1052(f) (2018) (“The Director may accept as *prima facie* evidence that the mark has become distinctive . . . proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.”).

<sup>505</sup> *SoClean*, 52 F.4th at 1369 (citation omitted).

## ***(B) The Common-Law Requirements for Mark Validity***

### **(1) Use in Commerce**

Use of a mark is a prerequisite for common-law trademark rights, with use in commerce the relevant benchmark for the acquisition of rights under federal law.<sup>506</sup> “Thus,” the Third Circuit explained, “[w]ith respect to ownership of an unregistered mark, the first party to adopt a mark can assert ownership so long as it continuously uses the mark in commerce.”<sup>507</sup> The Ninth Circuit elaborated on this point by holding that “[t]he basic principle underlying federal and state trademark law is ‘that distinctive marks—words, names, symbols, and the like—can help distinguish a particular artisan’s goods from those of others’ and that the ‘[o]ne who *first* uses a distinct mark in commerce’ thereby ‘acquires rights to that mark.’”<sup>508</sup> A plaintiff unable to demonstrate prior use in commerce risks the entry of judgment, even summary judgment, against it.<sup>509</sup>

### ***(a) The Significance of Federal Registration to the Use-in-Commerce Inquiry***

A Ninth Circuit opinion addressed a question that was surprisingly one of first impression, namely, whether the owner of a registration on the Principal Register with a Section 66(a)<sup>510</sup> basis can enjoy priority of rights dating back to the priority date of its international application.<sup>511</sup> It did so in a case in which the plaintiff had successfully pursued extensions of protection to the United States of two UNTAMED marks for rum, whiskey, and distilled spirits prior to the defendants’ promotion of rum through an advertising campaign featuring the words “BACARDI

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<sup>506</sup> See *TWD, LLC v. Grunt Style LLC*, 598 F. Supp. 3d 676, 687 (N.D. Ill. 2022) (“A party may only acquire a protectable right in a mark through the use of the mark in connection with its product . . . .”); *Shenzhen Kinwong Elec. Co. v. Kukreja*, 574 F. Supp. 3d 1191, 1217 (S.D. Fla. 2021) (“Trademark rights turn on priority of use. As the Eleventh Circuit has explained, ‘[r]ights in a trademark are determined by the date of the mark’s first use in commerce. The party who first uses a mark in commerce is said to have priority over other users.’” (alteration in original) (quoting *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071, 1080–81 (11th Cir. 2016))).

<sup>507</sup> *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209, 219 (3d Cir. 2021) (alteration in original) (quoting *Com. Nat’l Ins. Servs., Inc. v. Com. Ins. Agency, Inc.*, 214 F.3d 432, 438 (3d Cir. 2000)).

<sup>508</sup> *Lodestar Anstalt v. Bacardi & Co.*, 31 F.4th 1228, 1236 (9th Cir.) (second and third alterations in original) (quoting *B&B Hardware, Inc. v. Hargis Indus.*, 575 U.S. 138, 142 (2015)), *cert. denied*, 143 S. Ct. 428 (2022).

<sup>509</sup> See, e.g., *Gerlach, Inc. v. Gerlach Maschinenbau GmbH*, 592 F. Supp. 3d 634, 642–43 (N.D. Ohio 2022) (entering summary judgment against plaintiff failing to demonstrate prior use of disputed mark).

<sup>510</sup> 15 U.S.C. § 1141f (2018).

<sup>511</sup> See *Lodestar Anstalt*, 31 F.4th at 1236–38, 1245–51.

UNTAMEABLE SINCE 1862.” Consistent with the long-standing rule applied in priority disputes involving registrations with Section 44(e)<sup>512</sup> bases,<sup>513</sup> the court concluded that the plaintiff could rely on its priority date under the Madrid Protocol, which meant that “under the Madrid Protocol, as under § 44 . . . , a foreign applicant who obtains a registration without showing actual use in the U.S. has a right of priority, as of the relevant ‘constructive use’ date, over another company who first uses the mark in the U.S.”<sup>514</sup> This holding was subject to an important qualification, however:

[N]othing in the text of the Lanham Act suggests that its liberalization of the rules for obtaining registration of marks under the Madrid Protocol operates to override the settled foundational principle of trademark law that “only use in the marketplace can establish a mark” and that registration alone “does not create a mark or confer ownership” in a trademark. On the contrary, by providing that a recipient of an extension of protection under the Protocol has “the same rights and remedies as the owner of a registration on the Principal Register,” the Act confirms that, subject to the alterations in priority of rights set forth in Title XII, such a recipient must establish the same elements ordinarily required to obtain remedies for trademark infringement under § 32 or for unfair competition under § 43. Those include actual use in commerce.<sup>515</sup>

The priority of rights of a registrant in the plaintiff’s position therefore depended on its ability to prove ongoing use in commerce prior to bringing suit, even if that use postdated the defendants’ alleged infringement.<sup>516</sup> Nevertheless, the court concluded, “once that registrant begins actually using the mark in the U.S.—and does so even after the competing user has begun using the mark—

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<sup>512</sup> 15 U.S.C. § 1126(e).

<sup>513</sup> See *SCM Corp. v. Langis Foods Ltd.*, 539 F.2d 196, 201 (D.C. Cir. 1976) (holding that mark covered by Section 44(e) registration “must be protected in this country from the date of the foreign application even as against an intervening first use by another in the United States”).

<sup>514</sup> *Id.* at 1250.

<sup>515</sup> *Lodestar Anstalt*, 31 F.4th at 1248 (first quoting *Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975, 979 (9th Cir. 2006); and then quoting 15 U.S.C. § 1141i(b)(2)).

<sup>516</sup> See also *id.* at 1246 (“Even assuming that [the plaintiff] did not actually use the [allegedly infringed mark] in commerce before [the lead defendant] launched its allegedly infringing campaign, we conclude that the amendments to the Lanham Act implementing the Madrid Protocol modify the priority of trademark rights that might otherwise flow from the parties’ various uses of their respective marks. Under those amendments, [the plaintiff’s] post-[infringement] bona fide use of the [allegedly infringed mark], coupled with the earlier ‘constructive use’ date afforded to [the plaintiff] under the Madrid Protocol, is sufficient to give it priority of rights.”).

the registrant may bring an infringement action (subject to any applicable defense) based on that superior right of priority.”<sup>517</sup>

***(b) The Nature and Quality of Use in  
Commerce Necessary to Establish Protectable Rights***

The Ninth Circuit took strong stands in two different opinions against apparently opportunistic claims of priority of rights by plaintiffs suing deep-pocket defendants. The plaintiff in the first appeal to that court owned a pending intent-to-use application in the USPTO to register the MEMOJI for mobile phone application software.<sup>518</sup> Despite receiving a notice of allowance, it did little to use its mark in commerce until Apple Inc. announced its purchase of a use-based application to register the same mark for comparable software and then eventually released a public beta version of a new operating system incorporating the MEMOJI-branded software acquired from its assignor. According to the court’s reading of the summary judgment record, the plaintiff then “accelerated its timeline to develop the Memoji software, and . . . just three weeks later, launched its own Memoji mobile phone application on the Google Play Store” before filing a statement of use two days after that.<sup>519</sup> Moreover, the court observed, “[i]t is undisputed that [the plaintiff] rushed to develop its Memoji application after Apple’s announcement and that the application it released three weeks later contained numerous bugs”;<sup>520</sup> indeed, “at some point, Google removed the [plaintiffs] application for violating developer policies.”<sup>521</sup> Before that, though, the plaintiff’s co-founder and president sent a series of spectacularly ill-advised e-mails making clear his company’s accelerated product-development timetable was driven by a desire to sue Apple and to “get PAID.”<sup>522</sup>

Against the backdrop of such a transparently opportunistic intent, the court affirmed the district court’s finding as a matter of law that the plaintiff had failed to make a bona fide use in commerce of its mark. Instead, it held:

The scope of [the plaintiffs] activities prior to Apple’s announcement of its Memoji application—its maintenance of a website containing promotional videos, early stage business planning, a single internal \$100,000 investment, and the unsuccessful solicitation of any external investors—was not sufficiently public to establish trademark rights,

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<sup>517</sup> *Id.* at 1250.

<sup>518</sup> *See* Soc. Techs. LLC v. Apple Inc., 4 F.4th 811 (9th Cir. 2021).

<sup>519</sup> *Id.* at 815.

<sup>520</sup> *Id.*

<sup>521</sup> *Id.*

<sup>522</sup> *Id.*

whether or not [the plaintiff] executed these activities with a good faith intent to eventually use the mark in commerce.<sup>523</sup>

Beyond that, the timing and content of the plaintiff's incriminating e-mails "left no doubt as to [the plaintiff's] intention in developing its Memoji application,"<sup>524</sup> which was "not a bona fide engagement of the mark in commerce, but merely an attempt to reserve its MEMOJI trademark and provide a basis for its lawsuit against Apple."<sup>525</sup> Although the plaintiff may have enjoyed 5,000 downloads of its app, those failed either to create a factual dispute concerning the lack of bona fide use of its mark or to ward off an order to the USPTO to cancel the plaintiff's registration. The district court therefore had properly entered summary judgment in Apple's favor.<sup>526</sup>

The second of the two Ninth Circuit opinions arose from a more convoluted set of facts, but the outcome was much the same.<sup>527</sup> The plaintiff successfully established its potential priority of rights to the UNTAMED mark for rum, whiskey, and distilled spirits through its ownership of two Section 66(a) registrations, one of which covered that mark in standard-character format and the other accompanied by a stylized heart-and-sword design. Following the issuance of its registrations, the plaintiff used its mark on the labels and in advertising for its Irish whiskey in a manner consistent with the following examples:<sup>528</sup>



<sup>523</sup> *Id.* at 819.

<sup>524</sup> *Id.* at 821.

<sup>525</sup> *Id.*

<sup>526</sup> *Id.*

<sup>527</sup> *Lodestar Anstalt v. Bacardi & Co.*, 31 F.4th 1228 (9th Cir.), *cert. denied*, 143 S. Ct. 428 (2022).

<sup>528</sup> *Id.* at 1240.



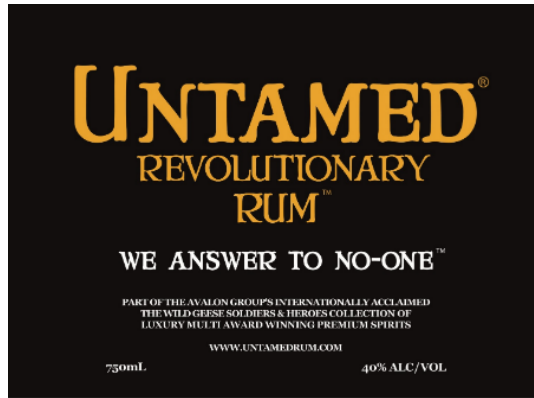


The plaintiff also employed a subsidiary presentation of the mark on the rear labels of bottles of rum before discontinuing its sales of that beverage for four years:



When, however, the defendants began promoting their rum with the phrase “BACARDI UNTAMEABLE SINCE 1862,” the plaintiff abruptly shifted direction and resumed selling its rum, only this time using the following label:<sup>529</sup>

<sup>529</sup> *Id.* at 1241.



The plaintiff then filed suit against the defendants.

Having held that the plaintiff could not perfect the theoretical priority it enjoyed as a result of its two registrations until it had used the underlying marks in commerce, the Ninth Circuit proved unreceptive to the plaintiff's claims that the appearance of the UNTAMED mark on the label immediately above represented such a use. As a preliminary matter, it observed that "the Lanham Act generally limits enforceable trademark rights to bona fide uses that reflect genuine commercial endeavors rather than merely efforts to retain rights in a mark."<sup>530</sup> Although the original appearance of the claimed mark on the labels for the plaintiff's Irish whiskey might have qualified as bona fide use, the same was not true of the latter-day use of the mark in connection with the plaintiff's renewed rum sales. The court identified several reasons why no reasonable jury

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<sup>530</sup> *Id.* at 1254.

The court found that several aspects of the definition of "use in commerce" found in Section 45 of the Act, 15 U.S.C. § 1127 (2018), mandated that conclusion:

First, by specifying that the use must be "in the ordinary course of trade," the statute requires "commercial use of the type common to the particular industry in question." Second, the requirement that the use be "bona fide" means that it is done "for genuine commercial reasons" and not "merely to reserve its rights for a lawsuit." The use of the word "merely" confirms that an otherwise genuine commercial use is "bona fide" even though one of the purposes of the use is to "reserve a right in a mark." Every trademark holder presumably intends that its commercial use will operate to protect its rights in its marks, and the mere existence of such a purpose, without more, is not itself sufficient to show that the use of the mark is not "bona fide." Third, and conversely, a purely ancillary commercial aspect to the use of the mark does not establish a "bona fide" use. Thus, for example, "token" or other insubstantial uses of a mark that are merely undertaken to reserve rights in a mark will not be "bona fide" even if they generate some non-zero amount of sales revenue. Instead, as noted, the use must involve activity of a scope and character that reflects "the ordinary course of trade."

*Id.* at 1255 (citation omitted) (first quoting *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1156–57 (9th Cir. 2001); then quoting *Soc. Techs. LLC v. Apple Inc.*, 4 F.4th 811, 821–21 (9th Cir. 2021); and then quoting 15 U.S.C. § 1127).

could conclude otherwise, including the disclosure during discovery of an e-mail from the plaintiff's principal acknowledging that one purpose of the shift was "to combat [the defendants'] attempts to take over our Untamed mark."<sup>531</sup> The court also noted that "the record contains no evidence that the [plaintiff's] Untamed Revolutionary Rum had even been conceived before the [defendants'] campaign, much less that any substantial steps had been taken towards marketing it."<sup>532</sup> There was more: "The bottling and labeling were put together very quickly within weeks of the start of the [defendants'] campaign, and one distributor reported to [the plaintiff] that it would not carry the product because the 'current label isn't good' and it will 'require a label change.'"<sup>533</sup> "Viewing the totality of these circumstances," the court concluded, "the inference is inescapable that Untamed Revolutionary Rum was not a serious effort to develop a product 'for genuine commercial reasons,' but rather merely an attempt merely to reserve [the plaintiff's] rights in the mark and 'provide a basis' for an eventual suit against [the defendants]."<sup>534</sup>

Assisted by a federal registration covering a mark in which they claimed protectable rights, two plaintiffs in a different case had better luck.<sup>535</sup> The defendant in the case sought to discover documentary evidence of the plaintiffs' use of the mark as of the date of first use recited in the registration, but it had received none, possibly because the plaintiffs had spoliated the relevant documents. When the plaintiffs moved for summary judgment regarding the mark's validity, the defendant responded by pointing to the absence of documentation supporting the plaintiffs' claimed date of first use and argued that it could not be expected to prove a negative. The court found that argument unconvincing, faulting the defendant for having ignored deposition testimony that the lead plaintiff had indeed used the disputed mark as of the relevant date. With the defendant having failed to place that testimony into dispute, its attack on the plaintiffs' claimed priority of rights fell short as a matter of law.<sup>536</sup>

Finally, despite the Trademark Trial and Appeal Board's increasing reliance in recent years on ornamentality as a ground for the ex parte refusal of applications, an Illinois federal district court rejected the claim of a counterclaim defendant that its opponent's claim of priority rested on merely decorative uses of a claimed

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<sup>531</sup> *Id.* at 1242.

<sup>532</sup> *Id.* at 1257.

<sup>533</sup> *Id.*

<sup>534</sup> *Id.* (quoting *Soc. Techs.*, 4 F.4th at 821).

<sup>535</sup> See *Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780 (S.D. Ind. 2021).

<sup>536</sup> *Id.* at 802.

mark.<sup>537</sup> Weighing the counterclaim plaintiff's motion for summary judgment, the court held:

A trademark user “must show that it has actually used the designation at issue *as a trademark*; i.e., to perform the trademark function of identifying the source of the merchandise to the customers.” “A trademark need not be particularly large in size or appear in any particular position on the goods, but it must be used in such a manner that its nature and function are readily apparent and recognizable without extended analysis or research and certainly without legal opinion.” “[W]here a slogan or feature is not likely to be perceived as anything other than part of the thematic whole of the ornamentation of an article of clothing, that slogan or feature is not used as a trademark.” A mark, though, may be both decorative and function as a trademark.<sup>538</sup>

It then found from the summary judgment record that the counterclaim plaintiff had used the disputed mark “in a variety of ways, including at trade shows, on collar tags, business cards, invoices, its website, and on the front, back, and sleeves of shirts. Further, the undisputed evidence shows [the counterclaim plaintiff's] products bearing the Mark were sold in all 50 states.”<sup>539</sup> “While the Mark was occasionally used in a decorative manner,” it continued, “[the counterclaim plaintiff's] continuous use of the Mark in a traditional trademark fashion shows that any decorative use would indicate the source of the goods.”<sup>540</sup> The counterclaim plaintiff therefore had demonstrated its priority of rights as a matter of law, despite the counterclaim defendant's ownership of a federal registration.<sup>541</sup>

### (c) *Public Use*

Under certain circumstances, the public's use of a mark in reference to a plaintiff's goods or services can substitute for the plaintiff's own use of the mark.<sup>542</sup> Nevertheless, one court rejected public use as a basis for the Girl Scouts of the United States of America's claimed acquisition of rights to the claimed SCOUT,

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<sup>537</sup> See *TWD, LLC v. Grunt Style LLC*, 598 F. Supp. 3d 676 (N.D. Ill. 2022).

<sup>538</sup> *Id.* at 687 (first quoting *Edsal Mfg. Co. v. Vault Brands, Inc.*, No. 11 C 9287, 2012 WL 5558849, at \*4 (N.D. Ill. 2012); then quoting *MicroStrategy Inc. v. Motorola, Inc.*, 245 F.3d 335, 342 (4th Cir. 2001); and then quoting *Tovey v. Nike, Inc.*, No. 1:12CV448, 2014 WL 3510975, at \*8 (N.D. Ohio 2014)).

<sup>539</sup> *Id.* at 697.

<sup>540</sup> *Id.*

<sup>541</sup> *Id.*

<sup>542</sup> See, e.g., *Coca-Cola Co. v. Busch*, 44 F. Supp. 405, 408 (E.D. Pa. 1942) (recognizing plaintiff's priority of rights to COKE mark based on public's use in connection with plaintiff's beverage).

SCOUTS, and SCOUTING marks in that organization's suit against the Boy Scouts of America.<sup>543</sup> Granting a defense motion for summary judgment, the court noted that, in the cases proffered by the Girl Scouts, "the party seeking protection either used the mark in question, or at least did not actively discourage its use."<sup>544</sup> "In contrast," the court found from the summary judgment record, the Girl Scouts had "either refrained from using 'scout' alone for decades, or proactively discouraged use of the word 'scout' without 'girl.'"<sup>545</sup> Moreover, and in any case, "[t]he evidence Girl Scouts cites indicates that the public associates the Scout Terms with both the Boy Scouts and the Girl Scouts; if any protectable rights exist in the Scout Terms alone, both the Boy Scouts and the Girl Scouts have claim to those rights."<sup>546</sup>

### *(d) Lawful vs. Unlawful Use in Commerce*

The use of a mark must be lawful to create protectable rights under federal law, but that requirement proved no obstacle to a plaintiff that challenged the legality of its opponent's imitations of six marks for e-cigarette and vaping products containing delta-8 tetrahydrocannabinol ("delta-8 THC"), a chemical compound derived from hemp.<sup>547</sup> Having been hit with a preliminary injunction, the defendant argued on appeal that the plaintiff's goods were unlawful. The Ninth Circuit disagreed, holding that the 2018 Agriculture Improvement Act (the "Farm Act")<sup>548</sup> had legalized those goods because they fell within the Farm Act's definition of "hemp."<sup>549</sup> Based on "the plain and unambiguous text of the Farm Act,"<sup>550</sup> the court concluded that, because the plaintiff's goods contained less than 0.3 percent delta-9 tetrahydrocannabinol ("delta-9 THC"),<sup>551</sup> "the delta-8 THC in the [plaintiff's] e-cigarette

<sup>543</sup> See *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581 (S.D.N.Y. 2022).

<sup>544</sup> *Id.* at 597.

<sup>545</sup> *Id.*

<sup>546</sup> *Id.*

<sup>547</sup> See *AK Futures LLC v. Boyd St. Distro, LLC*, 35 F.4th 682 (9th Cir. 2022). According to the court, "Delta-8 THC is a chemical compound that occurs naturally in the cannabis plant, *Cannabis sativa* L., which can be grown into either hemp or marijuana (alternatively spelled marihuana) depending on cultivation method." *Id.* at 686.

<sup>548</sup> Pub. L. No. 115-334, 132 Stat. 4490, *codified at* 21 U.S.C. §§ 802(16)(B), 812 sched. I(c)(17) (2018).

<sup>549</sup> See 7 U.S.C. § 1639o(1) ("The term 'hemp' means the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 [THC] concentration of not more than 0.3 percent on a dry weight basis.").

<sup>550</sup> *AK Futures*, 35 F.4th at 690.

<sup>551</sup> The court summarized the distinction between the two compounds in the following manner: "According to the Food and Drug Administration, delta-8 THC has 'psychoactive and intoxicating effects' similar to delta-9 tetrahydrocannabinol ('delta-9 THC'), a

liquid is properly understood as a derivative, extract, or cannabinoid originating from the cannabis plant”; in other words, they “fit comfortably within the statutory definition of ‘hemp.’”<sup>552</sup> In thus affirming the preliminary injunction, the court rejected the defendant’s reliance on the federal Drug Enforcement Agency’s regulations implementing the Farm Act,<sup>553</sup> which the court held trumped by the act’s “unambiguous” text,<sup>554</sup> as well as the defendant’s argument that Congress intended the Farm Act to legalize only industrial hemp, not a potentially psychoactive substance like delta-8 THC.<sup>555</sup> The district court therefore had properly found that the plaintiff was likely to prevail on its claim of lawful use.

### ***(e) Use-Based Geographic Rights***

If neither party to a trademark dispute owns a federal registration, and assuming the junior party has not adopted its mark with an intent “inimical” to the senior party’s rights,<sup>556</sup> the parties’ geographic rights are generally allocated according to the territory each occupies first. Although Justice Holmes once suggested that the prior use of an unregistered mark in one portion of a state should give the mark’s owner protectable rights throughout the entire state,<sup>557</sup> that proposition has never gained traction among other jurists.<sup>558</sup> Nevertheless, the Third Circuit gave Holmes’s theory of geographic rights its *de facto* imprimatur in affirming a jury finding that the counterclaim plaintiff owned the

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different chemical compound and the main psychoactive component of marijuana.” *Id.* at 692.

<sup>552</sup> *Id.*

<sup>553</sup> The defendant invoked a DEA publication providing that “[a]ll synthetically derived tetrahydrocannabinols remain schedule I controlled substances.” *Implementation of the Agriculture Improvement Act of 2018*, 85 Fed. Reg. 51,639, 51,641 (Aug. 21, 2020). Based on that language, the defendant argued that the DEA considered delta-8 THC a synthetic cannabinoid because it is concentrated and flavored. *AK Futures*, 35 F.4th at 692.

<sup>554</sup> *Id.*

<sup>555</sup> On this issue, the Ninth Circuit held that “courts will allow neither ambiguous legislative history, nor speculation about congressional intent to ‘muddy’ clear statutory language.” *Id.* at 693. “Regardless of the wisdom of legalizing delta-8 THC products,” it therefore held that “this Court will not substitute its own policy judgment for that of Congress. If [the defendant] is correct, and Congress inadvertently created a loophole legalizing vaping products containing delta-8 THC, then it is for Congress to fix its mistake.” *Id.*

<sup>556</sup> *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916).

<sup>557</sup> *See id.* at 426 (Holmes, J., concurring) (“I do not believe that a trademark established in Chicago could be used by a competitor in some other part of Illinois on the ground that it was not known there. I think that if it is good in one part of the state, it is good in all.”).

<sup>558</sup> *See, e.g., Food Fair Stores, Inc. v. Square Deal Mkt. Co.*, 206 F.2d 482, 485 (D.C. Cir. 1953) (“Justice Holmes’ view has not found general acceptance . . .”).

rights to its mark in the state of Texas,<sup>559</sup> even though the court’s description of the trial record suggested that the counterclaim plaintiff’s use of its mark (or at least the promotion of that use) was limited to Dallas.<sup>560</sup>

## (2) Distinctiveness

### (a) *Determining the Distinctiveness of Claimed Verbal Marks*

All reported opinions to evaluate the distinctiveness of claimed word marks invoked the spectrum of distinctiveness first articulated in *Abercrombie & Fitch Co. v. Hunting World, Inc.*<sup>561</sup> That spectrum, apparently endorsed by the Supreme Court in *Two Pesos, Inc. v. Taco Cabana, Inc.*,<sup>562</sup> requires the classification of claimed marks as: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful (or coined).<sup>563</sup>

### (i) Generic Designations

Reported opinions over the past year produced only a single actual finding of genericness, but that did not stop courts from opining on the subject of genericness in dictum. For example, one explained that “[a] generic term is the name of a particular genus or class of which an individual article or service is but a member.”<sup>564</sup> Another observed that “[a] generic mark [sic]—one that is ‘a common description’ of a product and ‘refers to the genus of which the particular product is a species’—is not at all distinctive and thus not protected.”<sup>565</sup> In contrast to that observation, however, the Supreme Court of Mississippi adopted a highly unconventional interpretation of the opinion of its federal counterpart in *United States Patent & Trademark Office v. Booking.com B.V.*,<sup>566</sup> by holding that “even if [a plaintiff’s] mark is generic, there is no rule under

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<sup>559</sup> See *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209, 219 (3d Cir. 2021).

<sup>560</sup> *Id.* at 215.

<sup>561</sup> 537 F.2d 4 (2d Cir. 1976).

<sup>562</sup> 505 U.S. 763 (1992).

<sup>563</sup> *Abercrombie*, 537 F.2d at 9.

<sup>564</sup> *Nursery Decals & More, Inc. v. Neat Print, Inc.*, 568 F. Supp. 3d 681, 696 (N.D. Tex.) (quoting *Nola Spice Designs, L.L.C. v. Haydel Enters.*, 783 F.3d 527, 537 (5th Cir. 2015)), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).

<sup>565</sup> *Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185, 201 (S.D.N.Y. 2021) (quoting *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 344 (2d Cir. 1999)).

<sup>566</sup> 140 S. Ct. 2298 (2020).

federal or state law that generic marks are not entitled to trademark protection.”<sup>567</sup>

The opinion actually resolving the merits of a genericness claim originated in an appeal to a federal district court from a Trademark Trial and Appeal Board decision sustaining an opposition to an application to register “gruyere” as a certification mark for cheese produced in the Gruyère region of Switzerland and France.<sup>568</sup> As the dissatisfied litigants before the Board, the plaintiffs faulted the defendants for failing to introduce direct survey evidence bearing on the genericness of their claimed mark and argued that that failure precluded the district court from ruling against them on summary judgment, but the court found that “overwhelming” circumstantial evidence justified that disposition.<sup>569</sup> That included: (1) the Food and Drug Administration’s “statement of identity” for gruyere cheese, which allowed use of the term without regard to the cheese’s geographic origin;<sup>570</sup> (2) pervasive domestic sales of gruyere not made in Switzerland or France, which the court found “directly demonstrates that when cheese consumers in the United States walk into a retail store and ask to purchase GRUYERE cheese, they do so without intending to limit their request only to Swiss or French-made cheese”;<sup>571</sup> (3) multiple dictionary definitions of the word lacking any geographic connotations;<sup>572</sup> (4) numerous press articles to similar effect;<sup>573</sup> and (5) “professional cheese competitions held in the United States and abroad[, which] have included non-Swiss, non-French cheeses competing in the GRUYERE category.”<sup>574</sup> Whatever the original meaning of the plaintiffs’ claimed mark may have been, there was no material dispute that it had fallen victim to genericide.<sup>575</sup>

## (ii) Descriptive Marks

One of the more notable reported opinions to reach findings of descriptiveness did so as a matter of law.<sup>576</sup> The claimed marks at issue were BE NICE TO ME, MY WIFE IS PREGNANT, THE MAN

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<sup>567</sup> Carr v. Miss. Lottery Corp., 350 So. 3d 1068, 1079 (Miss. 2022).

<sup>568</sup> See *Interprofession Du Gruyere v. U.S. Dairy Exp. Council*, 575 F. Supp. 3d 627 (E.D. Va. 2021), *appeal docketed*, No. 22-1041 (4th Cir. Jan. 11, 2022).

<sup>569</sup> *Id.* at 639.

<sup>570</sup> *Id.* at 639–41.

<sup>571</sup> *Id.* at 641.

<sup>572</sup> *Id.* at 647–48.

<sup>573</sup> *Id.* at 648.

<sup>574</sup> *Id.*

<sup>575</sup> *Id.* at 649.

<sup>576</sup> See *Nursery Decals & More, Inc. v. Neat Print, Inc.*, 568 F. Supp. 3d 681 (N.D. Tex.), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).



BEHIND THE BUMP, and WORLD'S OKAYEST, all registered for clothing, but not yet incontestable. Having placed the burden of proof on the counterclaim defendant to demonstrate the marks' lack of distinctiveness, the court found that burden discharged on the parties' cross-motions for summary judgment. The court did not do so by employing the usual methodology, namely, analyzing the extent to which the marks communicated something about the nature or quality of the clothing on which they appeared. Instead, the court improbably focused on the relationship between the marks and the marks themselves, in the process putting a new twist on the inquiry into whether other industry participants had a competitive need to use the marks:

Here, [the counterclaim defendant's] uncontroverted evidence clearly shows that the marks "identif[y] . . . a characteristic or quality of an article": the words printed on the front of each t-shirt. [The counterclaim plaintiff's] contested marks accordingly "convey[] information about [the counterclaim plaintiff's] product": the slogan featured on the shirt. Indeed, the slogan is the main, if not sole, identifying feature of each shirt. The words of the slogan are the entirety of each mark. No imagination is therefore required to link [the counterclaim plaintiff's] word marks—for example, THE MAN BEHIND THE BUMP—with a t-shirt bearing those exact words. And, "common sense indicates that other vendors would need to use these terms" to describe their own shirts bearing the same common slogans.<sup>577</sup>

Under this analysis, of course, any mark could be descriptive to the extent it identifies its own affixation to the goods in question.

A second opinion reaching a finding of descriptiveness did so in more oblique fashion.<sup>578</sup> When the Boy Scouts of America opened its membership and programs to girls as well as boys, the Girl Scouts of the United States of America brought various challenges under federal and state law to the Boy Scout's use of SCOUTING to promote itself, regardless of gender. Among those challenges was the claim that the Girl Scouts had protectable rights in SCOUT, SCOUTS, and SCOUTING as marks for their own activities. Weighing the parties' cross-motions for summary judgment, the court flirted with a finding that the Girl Scouts' claimed marks were generic, but it ultimately denied relief after concluding they lacked

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<sup>577</sup> *Id.* at 698 (first, second, and fourth alterations in original) (first quoting *Nola Spice Designs, L.L.C. v. Haydel Enters.*, 783 F.3d 527, 537 (5th Cir. 2015); and then quoting *id.* at 539–40).

<sup>578</sup> *See Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581 (S.D.N.Y. 2022).

acquired distinctiveness,<sup>579</sup> therefore suggesting they were descriptive as a matter of law.<sup>580</sup>

The court in a separate case reached a finding of geographic descriptiveness on a failed preliminary injunction motion.<sup>581</sup> The western Michigan-based plaintiff claimed to own the III BRIDGE BREWING CO., and THREE BRIDGE marks (covered by three registrations between them), which it used in connection with beer and various beer-related collateral goods. When it sought interlocutory relief against the defendant's use of THREE BRIDGES DISTILLERY AND TAPROOM for a craft brewpub, the parties briefed the issue of likely confusion, but the court declined to reach that issue based on its sua sponte identification of "a more potent question," namely the distinctiveness of the plaintiff's marks.<sup>582</sup> Teeing up that question, the court observed that:

A mark is primarily geographically descriptive if, as perceived by potential purchasers, it describes the geographic origin of the goods. "To further clarify whether the mark is primarily geographically descriptive, it is valuable to examine the possibility that the geographic term is minor, obscure, remote or unconnected with the goods."<sup>583</sup>

It then classified the plaintiff's marks fell in that category because of "[t]he obvious inference . . . that Plaintiff intended "Three Bridge" to refer to the area under the three bridges that connect Michigan to Wisconsin—especially considering that a primary characteristic differentiating beer is the water with which it is made."<sup>584</sup> That inference was supported by third-party use of "three bridges" in the same geographic market, as well as an acknowledgement on the plaintiff's website that a design element in one of its marks was intended to reference the bridges.<sup>585</sup>

Finally, one opinion confirmed that marks comprising surnames are also considered descriptive and unprotectable without showings of acquired distinctiveness. That holding extended to the FINN component—"the surname of the Mark Twain character Huckleberry Finn"—of the FINN ACADEMY mark for educational services.<sup>586</sup> Having reached that determination, the court dismissed

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<sup>579</sup> *Id.* at 596.

<sup>580</sup> *Id.* at 596-97; *see also id.* at 596 ("The evidence indicates that the word 'scout' is a descriptive term with connections to both Boy Scouts and Girl Scouts.").

<sup>581</sup> *See Wise Man Brewing, LLC v. Three Bridges Distillery & Taproom, LLC*, 599 F. Supp. 3d 586 (E.D. Mich. 2022), *appeal docketed*, No. 22-1455 (6th Cir. May 23, 2022).

<sup>582</sup> *Id.* at 591.

<sup>583</sup> *Id.* (quoting *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 594 (6th Cir. 1989)).

<sup>584</sup> *Id.*

<sup>585</sup> *Id.*

<sup>586</sup> *See Thurber v. Finn Acad.*, 583 F. Supp. 3d 437, 446 (W.D.N.Y. 2022).

the plaintiff's claim to own the mark because of an absence of plausible allegations in her complaint that might support a finding of acquired distinctiveness.<sup>587</sup>

### (iii) Suggestive Marks

Judicial references to the definition of suggestive marks typically are far more prevalent than actual findings of suggestiveness. Nevertheless, the Ninth Circuit affirmed one such finding, namely, that the UNTAMED mark was suggestive for rum.<sup>588</sup> The plaintiff sought to establish the mark's arbitrary nature on appeal by calling the court's attention to expert testimony to that effect, but the court concluded that the expert had "provided no adequate, non-conclusory basis for concluding that the mark was arbitrary rather than *suggestive*."<sup>589</sup> It therefore gave far more weight to the defendants' showing of third-party use of the same word in the alcoholic beverage industry, explaining that "the fact that numerous other alcoholic beverage sellers, on dozens of other occasions, chose to use a particular word in their marketing materials weighs heavily against the notion that the connection between that term and such products is 'arbitrary.'"<sup>590</sup> In the final analysis, "[c]onsumers must exercise some imagination (but not much) to associate the term 'Untamed' with the image of a hard liquor—reflecting, perhaps, how its consumption might make one feel. We therefore agree with the district court that the Untamed . . . Mark is more suggestive than arbitrary."<sup>591</sup>

At the trial court level, the parties to an action to protect the TWO HANDS mark for restaurant services presented the court with the choice of finding the mark either arbitrary or fanciful (as urged by the plaintiff) or descriptive (as urged by the defendants).<sup>592</sup> The court instead concluded the mark was suggestive. It initially found that "[c]ontrary to the defendants' assertion, the mark is not descriptive, because it "does not directly describe[ ] the goods with which it is associated" nor "forthwith convey[ ] an immediate idea of the ingredients, qualities or characteristics of the goods [or services at issue]."<sup>593</sup> At the same time, however, it also found that the mark was neither arbitrary nor fanciful because:

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<sup>587</sup> *Id.* at 447.

<sup>588</sup> See *Lodestar Anstalt v. Bacardi & Co.*, 31 F.4th 1228 (9th Cir.), *cert. denied*, 143 S. Ct. 428 (2022).

<sup>589</sup> *Id.* at 1259.

<sup>590</sup> *Id.*

<sup>591</sup> *Id.*

<sup>592</sup> See *Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290 (S.D.N.Y. 2021).

<sup>593</sup> *Id.* at 302 (second, third, and fourth alterations in original) (quoting *Kohler Co. v. Bold Int'l FZCO*, 422 F. Supp. 3d 681, 719 (E.D.N.Y. 2018)).

There are several other uses of the term in connection with food goods and services—including “Two Hands Burger,” “Two Hand Burger,” “Two Hands Crepe & Juice Bar,” and “Two Hands Wines,” buttressing the conclusion that the mark was not “invented solely for use as a trademark or a common word applied in an unfamiliar way, so as to fit into the fanciful or arbitrary category.”<sup>594</sup>

“Instead,” it determined, “there is ‘certainly a connotation’ to the term ‘TWO HANDS’ that evokes images of restaurants and eating food, though the mark requires ‘some degree of imagination, perhaps assisted by consideration of the product itself,’ for consumers to ‘invest’ the mark with its ‘intended mental association.’”<sup>595</sup> Especially in light of the defendants’ showing that “the term ‘two hands’ is sometimes used to refer to large food items that require ‘two hands’ to hold and eat,”<sup>596</sup> the mark was suggestive.

So too did the TRAVELTIME mark for “open-back, mule- or clog-style women’s comfort shoes” qualify as suggestive.<sup>597</sup> Indeed, the court reaching that finding did not regard the issue as a close one:

[T]he TRAVELTIME mark is plainly suggestive: it requires some imagination, thought, and perception for a purchaser to go from “travel time” to the idea of movement, then to what one might need when moving, and finally to the product, an open-back comfort shoe. However, even though a purchaser must make an imaginative leap from TRAVELTIME to open-back shoes, this does not render the “TRAVELTIME” mark so abstract as to be either arbitrary or fanciful; the mark still communicates information about the product. It communicates, even if only by suggestion, that the product is to be used while traveling or that the product enables traveling—hardly arbitrary when paired with comfort shoes. Accordingly the Court concludes that the TRAVELTIME mark is suggestive and thus inherently distinctive.<sup>598</sup>

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<sup>594</sup> *Id.* (citation omitted) (first quoting *Pan Am. World Airways, Inc. v. Panamerican Sch. of Travel, Inc.*, 648 F. Supp. 1026, 1033 (S.D.N.Y.), *aff’d sub nom.* *Pan Amer v. Pan Amer Sch.*, 810 F.2d 1160 (2d Cir. 1986)).

<sup>595</sup> *Id.* at 302–03 (first quoting *Giggle, Inc. v. netFocal, Inc.*, 856 F. Supp. 2d 625, 630 (S.D.N.Y. 2012); then quoting *Sunenblick v. Harrell*, 895 F. Supp. 616, 625 (S.D.N.Y. 1995), *aff’d*, 101 F.3d 684 (2d Cir. 1996)).

<sup>596</sup> *Id.* at 303.

<sup>597</sup> *See Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185, 197 (S.D.N.Y. 2021).

<sup>598</sup> *Id.* at 201 (citation omitted).

#### (iv) Arbitrary Marks

“Arbitrary . . . marks are ones that do not communicate any information about the product either directly or by suggestion.”<sup>599</sup> One of the few opinions squarely to address a claim of arbitrariness did so in an action to protect the marks MAHARAJA and A MAHARAJA STAYING AHEAD IN TASTE, the latter of which was presented in the following format:<sup>600</sup>



Both marks were used in connection with retail grocery stores, which allowed the court to dispose quickly of the defendant’s attempted showing of genericness through evidence and testimony that the word “maharaja” was commonly used and understood as equivalent to “prince” in Indian culture: “Simply put, here the word ‘prince’ is not an indication of the nature or class of an article; thus, the term cannot be considered generic.”<sup>601</sup> Although the defendant proffered “ten trademark registrations containing the word maharaja across an array of industries,”<sup>602</sup> the court found that “the diverse list of marks containing maharaja is only evidence that the term is not generic, but rather may be used as a distinctive mark across many industries.”<sup>603</sup> Finally, and in any case, the plaintiff’s composite mark embodied “visual design elements, including distinctive fonts and shapes, that clearly render it distinctive.”<sup>604</sup> “Because the word ‘maharaja’ does not connote any association with grocery stores,” the court concluded, “the Marks are arbitrary and thus inherently distinctive . . . .”<sup>605</sup> The court found further evidence

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<sup>599</sup> *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 469 (E.D.N.Y. 2021) (quoting *Star Indus. v. Bacardi & Co.*, 412 F.3d 373, 384 (2d Cir. 2005)).

<sup>600</sup> *Id.* at 466.

<sup>601</sup> *Id.* at 470.

<sup>602</sup> *Id.* at 471.

<sup>603</sup> *Id.*

<sup>604</sup> *Id.*

<sup>605</sup> *Id.* at 473.

for that conclusion in the USPTO's registration of the composite mark without requiring a showing of distinctiveness.<sup>606</sup>

Another finding of arbitrariness rested on a less extensive analysis.<sup>607</sup> The mark at issue was MOON SEED for the sale of seeds to farmers and was owned by the successor in interest to a company founded by one Dennis Moon. Although acknowledging the original surname nature of the “moon” component of the plaintiff's mark, the court found on the parties' cross-motions for summary judgment that:

The word “Moon” does not describe Plaintiff's seed vending services. . . . [I]t is a common word that describes seed and Plaintiff's seed vending services in an unfamiliar way. The word “Moon” is not typically associated with agricultural seed. As such, the “Moon Seed” mark is arbitrary and inherently distinctive.<sup>608</sup>

Perhaps hedging its bets, however, the court also found that, even if descriptive, the mark had acquired distinctiveness as a matter of law.<sup>609</sup>

### (v) Coined or Fanciful Marks

Actual findings that claimed marks were coined or fanciful were not readily apparent in reported opinions, although several courts offered definitions of those marks in dictum. For example, one opined simply that “a fanciful mark is a made-up name.”<sup>610</sup> Another applied a similar standard and offered examples as well by observing that “fanciful marks usually are made-up words: Kleenex (tissues) and Kodak (film).”<sup>611</sup>

### ***(b) Determining the Inherent Distinctiveness of Claimed Trade Dress and Nonverbal Marks***

The test for determining whether product packaging comprises inherently distinctive trade dress is the subject of judicial disagreement. Some courts invoke the familiar *Abercrombie* spectrum of distinctiveness applicable to word marks. Others, however, apply the so-called *Seabrook* test, which focuses on whether the claimed trade dress is: (1) a “common” basic shape or design; (2) unique or unusual in a particular field; and (3) a mere

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<sup>606</sup> *Id.*

<sup>607</sup> *See Moon Seed LLC v. Weidner*, 604 F. Supp. 3d 780 (S.D. Iowa 2022), *appeal dismissed*, No. 22-2228, 2022 WL 17491649 (8th Cir. Jul. 14, 2022).

<sup>608</sup> *Id.* at 790.

<sup>609</sup> *Id.* at 791.

<sup>610</sup> *Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290, 302 (S.D.N.Y. 2021).

<sup>611</sup> *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 641 (N.D. Tex. 2022).

refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods.<sup>612</sup> And, of course, some courts take a belts-and-suspenders approach by applying both tests.

One taking the last of those approaches reached a finding of inherent distinctiveness for the following mark when used in connection with apparel:<sup>613</sup>



The court's conclusion that the mark was protectable without proof of acquired distinctiveness was due in part to the counterclaim defendant's registration of a virtually identical mark on the Principal Register without resorting to Section 2(f), but it also rested on the counterclaim defendant's affirmative claim of protectable rights to its mark in the original complaint.<sup>614</sup> Those showings by the counterclaim plaintiff were bolstered by the court's conclusion that the mark was neither generic, descriptive, nor suggestive and therefore was necessarily arbitrary or fanciful.<sup>615</sup> But, having concluded that "the *Abercrombie* analysis [is] ill-suited to determining whether the Mark is distinctive,"<sup>616</sup> the court eventually turned to the three *Seabrook* factors, all of which favored a finding of inherent distinctiveness.<sup>617</sup>

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<sup>612</sup> See *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A. 1977).

<sup>613</sup> See *Savage Tavern*, 589 F. Supp. 3d at 636.

<sup>614</sup> As the court explained,

Even if the Court were to ignore the fact that the Mark has already been [registered], [the counterclaim defendant] has conceded the point by bringing suit for infringement. The test applied in infringement actions under Section [32(1)(a)]—which is the basis for [the counterclaim defendant's] suit against [the counterclaim plaintiff]—depends on the Mark being protectable. Thus, by filing this suit under Section [32(1)(a)], [the counterclaim defendant] conceded that the Mark is protectable.

*Id.* at 645.

<sup>615</sup> *Id.*

<sup>616</sup> *Id.*

<sup>617</sup> *Id.* at 646–47 ("These prongs of *Seabrook Foods* are all 'variations on a theme,' . . . —the core inquiry is whether the public would recognize the Mark to be a trademark, regardless of whether they know the item's source. The Mark easily passes that test given its creative design, lack of lookalikes in the market, and solitary placement on the

In an appeal from a determination that a bread package was not inherently distinctive, the Tenth Circuit also hedged its bets by endorsing the use of both tests.<sup>618</sup> Nevertheless, the issue of the proper test for inherent distinctiveness ultimately was moot because the claimed trade dress at issue—“(1) a horizontally-oriented label; (2) a design placed at the top center of the end; (3) the word ‘White’ in red letters; (4) the use of a red, yellow, and white color scheme; and (5) stylized font below the design outlined in white”—was generic in light of extensive third-party use of the same elements.<sup>619</sup> The court therefore affirmed the district court’s finding as a matter of law to similar effect.

Consistent with the Tenth Circuit’s skepticism toward the packaging trade dress before it, a Florida federal district court found after a bench trial that the appearances of the following cans for an energy drink were not inherently distinctive:<sup>620</sup>



A key consideration in the court’s analysis was the defendant’s proffer of numerous similar designs, including those appearing in the following composite exhibit.<sup>621</sup>

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items on which it appears. Under *Seabrook Foods*, the Mark is inherently distinctive and, thus, protectable.” (citation omitted)).

<sup>618</sup> See *Bimbo Bakeries USA, Inc. v. Sycamore*, 39 F.4th 1250, 1258 (10th Cir. 2022).

<sup>619</sup> *Id.* at 1257.

<sup>620</sup> See *Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180, 1194 (S.D. Fla. 2021).

<sup>621</sup> *Id.* at 1205. Independent of that composite exhibit, the defendant also introduced into evidence the following additional third-party use:



*Id.* at 1207.





Of compelling significance, the court found that the plaintiff's cans bore a "striking" resemblance to the cans for a separate line of energy drinks offered by the defendant *before* the introduction of the plaintiff's cans.<sup>622</sup>



Based on those showings by the defendant, the court found that, *inter alia*, the plaintiff's claimed trade dress had "basic design elements,"<sup>623</sup> was "neither unique nor unusual,"<sup>624</sup> and was "a mere refinement of [the plaintiff's] prior line of cans."<sup>625</sup> The trade dress therefore was not "so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin,"<sup>626</sup> even if an employee of the defendant had earlier acknowledged in an e-mail that the plaintiff had "used powerful color combinations to really pop off shelf. It's definitely working and managed to capture a new consumer base."<sup>627</sup>

<sup>622</sup> *Id.* at 1201.

<sup>623</sup> *Id.* at 1207.

<sup>624</sup> *Id.*

<sup>625</sup> *Id.* at 1203.

<sup>626</sup> *Id.* at 1247 (quoting J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 8.13 (5th ed.)).

<sup>627</sup> *Id.* at 1221.

Judicial skepticism toward claims of inherently distinctive trade dress extended to a case in which the plaintiff sought to protect the appearance of a “children’s discovery center” offering educational classes and consisting in part of “a cityscape scene that includes store fronts, a post office, grocery store, gas station, roadway, farm area, and construction area—among other things.”<sup>628</sup> With only a passing reference to the Supreme Court’s holding in *Two Pesos, Inc. v. Taco Cabana, Inc.*,<sup>629</sup> that building interiors and exteriors can qualify as inherently distinctive and therefore are at least potentially protectable without acquired distinctiveness,<sup>630</sup> the court declined to reach the “preposterous” conclusion that the plaintiff’s claimed trade dress so qualified.<sup>631</sup> According to the court, “the [plaintiff’s] entire case is premised on the ‘look and feel’ of its center, not simply the labels, packaging, colors, or décor therein.”<sup>632</sup> In particular, the court found on the defendant’s motion for summary judgment that:

Many of the claimed trade dress products are structures—a model fire station, a car track, or farmhouse (and their spatial relations one with another)—not just the colors and shapes behind them on the walls of the building. This lends itself to a finding that [the plaintiff] seeks to protect the design of its product, not just the packaging.<sup>633</sup>

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<sup>628</sup> Kids’ Town at the Falls LLC v. City of Rexburg, 570 F. Supp. 3d 911, 917–18 (D. Idaho 2021). The court’s opinion does not include a photograph of the plaintiff’s claimed trade dress, but the following depiction appears in a promotional video on the plaintiff’s website, Children’s Museum | Discovery Center | Idaho Falls | (kidstownatthefalls.com) (last visited Dec. 11, 2022):



<sup>629</sup> 505 U.S. 763 (1992).

<sup>630</sup> The Court obviously reiterated that conclusion in *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 215 (2000).

<sup>631</sup> *Kids’ Town at the Falls*, 570 F. Supp. 3d at 924.

<sup>632</sup> *Id.*

<sup>633</sup> *Id.* (footnote omitted).

The plaintiff's ability to protect its claimed trade dress therefore depended on its ability to prove acquired distinctiveness.

**(c) Acquired Distinctiveness (Secondary Meaning)**

**(i) Opinions Finding Acquired Distinctiveness**

The most aggressive finding of acquired distinctiveness over the past year came in a case in which the Mississippi Lottery Corporation (MLC) accused a defendant of unlawfully registering several domain names based on geographically descriptive marks—MISSISSIPPI LOTTERY and MISSISSIPPI LOTTERY CORPORATION—claimed by the MLC.<sup>634</sup> One potential problem for the MLC was that the domain name registrations transpired prior to any use or applications to register the marks by the MLC, and, indeed, neither the MLC nor the Mississippi state lottery had even been authorized by the Mississippi legislature at the time. No matter, according to the Supreme Court of Mississippi, which affirmed a finding of acquired distinctiveness based on such considerations as a three-decade-long public debate over the wisdom of a state lottery,<sup>635</sup> the successful protection of similar names by other state lotteries,<sup>636</sup> the MLC's after-the-fact registration of its marks with the USPTO and the Mississippi Secretary of State,<sup>637</sup> and the defendant's intentional copying of the marks.<sup>638</sup>

Aided greatly by its ownership of a federal registration covering the configuration of its filters for a device used to clean CPAP machines—even though the USPTO had issued the registration without requiring a showing of acquired distinctiveness beyond a basic recitation of substantially exclusive and continuous use for five years—one plaintiff successfully protected that configuration on a preliminary injunction motion.<sup>639</sup> Without direct evidence introduced by either party, the Massachusetts federal district court hearing the case offered the following summary of the circumstantial evidence properly considered in the First Circuit:

Various factors may be considered for evaluating whether a trade dress mark has secondary meaning, including “the length and manner of the use of the trade dress, the nature and extent of advertising and promotion of the trade dress, and the efforts made to promote a conscious connection by the public between the trade dress and the product's source.”

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<sup>634</sup>See *Carr v. Miss. Lottery Corp.*, 350 So. 3d 1068 (Miss. 2022).

<sup>635</sup> *Id.* at 1078.

<sup>636</sup> *Id.* at 1079.

<sup>637</sup> *Id.* at 1079, 1080.

<sup>638</sup> *Id.* at 1079.

<sup>639</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 292 (D. Mass. 2021), *aff'd*, 52 F.4th 1363 (Fed. Cir. 2022).

“Other factors may include the product’s ‘established place in the market’ and proof of intentional copying.”<sup>640</sup>

With the court having placed the burden of proof on the defendant to demonstrate the plaintiff’s configuration lacked acquired distinctiveness and the defendant having failed to introduce evidence and testimony on the subject, the court found the plaintiff likely to prevail on its claim to own a valid mark.<sup>641</sup>

## (ii) Opinions Declining to Find Acquired Distinctiveness

Some attempts to prove acquired distinctiveness were so deficient that they failed as a matter of law. The marks underlying one such attempt were several slogans—BE NICE TO ME, MY WIFE IS PREGNANT, THE MAN BEHIND THE BUMP, and WORLD’S OKAYEST—emblazoned across various clothing items, which might well have been found ornamental, but which the court determined were descriptive as a matter of law instead.<sup>642</sup> In weighing the parties’ cross-motions for summary judgment, the court noted the absence from the record of

specific evidence of secondary meaning, such as “(1) length and manner of use of the mark . . . , (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark . . . in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant’s intent in copying the . . . [mark].”<sup>643</sup>

In particular, the court found it undisputed that third parties “were using the marks throughout [the counterclaim plaintiff’s use of them] and perhaps before [the counterclaim plaintiff], which means that [the counterclaim plaintiff’s] duration of use alone does not raise a fact issue as to secondary meaning.”<sup>644</sup> Of equal significance, the counterclaim plaintiff also had failed to adduce “financial

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<sup>640</sup>*Id.* at 297 (first quoting *Yankee Candle Co. v. Bridgewater Candle Co., LLC*, 259 F.3d 25, 38 (1st Cir. 2001); and then quoting *id.*).

<sup>641</sup> *Id.* at 298 (“Here, [the defendant’s] central argument is that [*the plaintiff*] has failed to carry this heavy burden because [the plaintiff] has not put forth any direct or circumstantial evidence of secondary meaning. But where [the plaintiff] enjoys a presumption of validity (and thus, at least here, a presumption of secondary meaning), the burden is on [*the defendant*], not [the plaintiff], to satisfy the ‘vigorous evidentiary requirements,’ either by direct or circumstantial evidence, to prove that the Mark has *not* obtained secondary meaning. [The defendant] has not demonstrated a likelihood of carrying this burden.”).

<sup>642</sup> See *Nursery Decals & More, Inc. v. Neat Print, Inc.*, 568 F. Supp. 3d 681 (N.D. Tex.), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).

<sup>643</sup> *Id.* at 699 (alterations in original) (quoting *Nola Spice Designs, L.L.C. v. Haydel Enters.*, 783 F.3d 527, 544 (5th Cir. 2015)).

<sup>644</sup> *Id.*

records, advertising evidence, or consumer surveys to show that the public actually associates [the counterclaim plaintiff] as the source of goods bearing the contested marks.”<sup>645</sup> The outcome was a finding of no acquired distinctiveness as a matter of law.

A distinctiveness-based motion for summary judgment also succeeded in an action to protect alleged trade dress consisting of the configuration of an infrared sauna.<sup>646</sup> Apparently invoking Section 2(f), the plaintiff averred it had established the distinctiveness of its configuration because it had used the configuration exclusively and continuously for five years. That showing failed, however, in light of the defendant’s un rebutted evidence that third parties had used similar designs during that same period. Equally to the point, although the plaintiff’s response to the defendant’s motion referenced putatively “voluminous” documentation of distinctiveness, that evidence did not appear in the record;<sup>647</sup> more damning still, the plaintiff did not contest the defendant’s argument that the documents in question would not have been probative even if they had been proffered.<sup>648</sup> “Because [the plaintiff] has presented no evidence to show that its use of trade dress was exclusive for any five-year period,” the court held, “nor has it disclosed any other evidence demonstrating that customers associated the trade dress with [the plaintiff] or would have been confused by a competitor’s sauna with the same design, I grant [the defendant] summary judgment on [the plaintiff’s] trade-dress claim.”<sup>649</sup>

The same result held in a beverage-related dispute, albeit following a bench trial, rather than on a motion for summary judgment.<sup>650</sup> Having failed to establish the inherent distinctiveness of the cans for an allegedly “revolutionary” line of energy drinks “with zero calories, zero sugars, zero carbs, zero artificial flavors, zero artificial coloring, a higher level of caffeine, and certain performance ingredients,” the plaintiff in that case was equally unsuccessful in establishing its claimed trade dress had acquired distinctiveness.<sup>651</sup> Without survey evidence on the subject from either party, the court looked to indirect evidence proffered by the plaintiff, namely: (1) the length and exclusivity of the plaintiff’s use; (2) the advertising and promotion of the claimed trade dress; (3) the plaintiff’s sales growth; (4) unsolicited media coverage; and

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<sup>645</sup> *Id.*

<sup>646</sup> *See Sunlighten, Inc. v. Finnmark Designs, LLC*, 595 F. Supp. 3d 957 (D. Nev. 2022).

<sup>647</sup> *Id.* at 970.

<sup>648</sup> *Id.*

<sup>649</sup> *Id.*

<sup>650</sup> *See Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180 (S.D. Fla. 2021).

<sup>651</sup> *Id.* at 1201.

(5) allegedly intentional copying by the defendant. “None of these,” the court found, “helps [the plaintiff] here.”<sup>652</sup>

The length and exclusivity of the plaintiff’s use favored the defendant both because of numerous “substantially similar dresses” sold by third parties and because of repeated changes in the appearances of the plaintiff’s cans, of which the court noted that “[t]his inconsistency in the look-and-feel of the trade dress belies [the plaintiff’s] contention that it managed to create some deep-seated connection, in the minds of consumers, between the trade dress and its maker.”<sup>653</sup> The court then discounted the plaintiff’s claimed advertising spend because “[the plaintiff] . . . failed to show how much of this marketing features the trade dress that’s at issue in this case”;<sup>654</sup> indeed, the court noted, “the record evidence indicates that [the plaintiff] features the [claimed] cans only in a *minority* of its advertising posts.”<sup>655</sup> What might otherwise have been impressive sales by the plaintiff fell short because “[the plaintiff] owes its success, not to its trade dress—which blends in with so many of the cans that were already prevalent in the market—but to the invention of a rather unique *product*, marketed in a rather unique way, and hitting consumers at a rather opportune time.”<sup>656</sup> So too did the plaintiff strike out with its showing of favorable media coverage because that coverage focused on the plaintiff’s financial performance, rather than its trade dress.<sup>657</sup> Finally, the court rejected the plaintiff’s reliance on the defendant’s alleged intentional copying of the plaintiff’s cans because “[t]he problem with this theory is that the evidence at trial overwhelmingly showed that, while [the defendant] was looking to compete with [the plaintiff], its ultimate goal was to develop a powerful and iconic design that would *differentiate* [the defendant’s cans] from its competition.”<sup>658</sup>

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<sup>652</sup> *Id.* at 1208.

<sup>653</sup> *Id.* at 1209.

<sup>654</sup> *Id.*

<sup>655</sup> *Id.*

<sup>656</sup> *Id.* at 1212.

<sup>657</sup> *Id.* at 1212–13.

<sup>658</sup> *Id.* at 1213. Reviewing the evidence and testimony of the lengthy development of the appearances of the defendant’s cans, the court observed that:

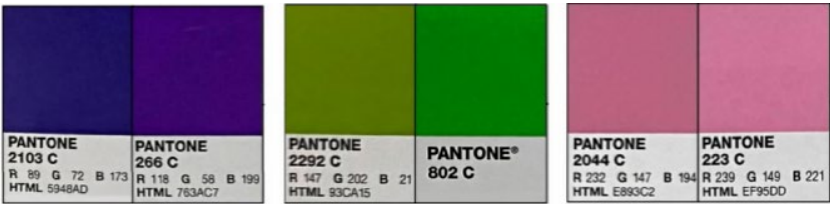
None of this is consistent with some purported intent to create a . . . knockoff. [The defendant] spent approximately \$100,000 working with two design firms, directed those companies to create hundreds of labels, and then spent months debating and refining their proposals. Had [the defendant] wanted to rip off [the plaintiff], it could have easily done so—without incurring the time or expense of searching for something new.

*Id.* at 1215 (citation omitted). Based on the following comparisons, the court also rejected the plaintiff’s argument that the defendant had chosen “exactly” the same shades of colors to appear on its cans:

Finally, a Michigan federal district court rejected a claim of acquired distinctiveness for a geographically descriptive mark for beer and other goods on a failed preliminary injunction motion.<sup>659</sup> The plaintiff did not help its own case by failing to brief the issue, but the court nevertheless referred to the plaintiff’s general averments and found them wanting. For example, although the plaintiff averred “a point of sale program with over two thousand customers,” “over forty thousand beers” poured, and “over nineteen thousand customer transactions,” the court dismissed those claims because “[s]ales volume, though relevant, is not necessarily sufficient to indicate recognition of the mark by purchasers as an indication of the source.”<sup>660</sup> It then disposed of the plaintiff’s claim to have made an advertising spend of “thousands of dollars” by holding that “[a]lthough advertising expenditures are required to ‘merely survive’ in the competitive market, advertising expenditures cannot be used to prove secondary meaning. By contrast, ‘extensive advertising that results in consumer association with a single source can establish secondary meaning.’”<sup>661</sup> Finally, after finding the plaintiff’s six years of use unconvincing, it determined that “[t]he secondary meaning of Plaintiff’s mark is also questionable due to the presence of at least two other breweries with the same name.”<sup>662</sup>

**(iii) Opinions Deferring Resolution  
of the Acquired Distinctiveness Inquiry**

As usual, courts declined invitations to find no acquired distinctiveness as a matter of law at the pleadings stage of cases.



*Id.* at 1216. Finally, it found unconvincing the plaintiff’s theory that the defendant had copied the names of the flavors of the plaintiff’s drinks, both because “the[ ] flavor names are sufficiently distinct to make any claim of copying implausible” and because “most of the remaining similarities stem, not from any intentional copying, but from the use by both companies of flavors and flavor names that are understandably common in the industry.” *Id.* at 1218.

<sup>659</sup> See *Wise Man Brewing, LLC v. Three Bridges Distillery & Taproom, LLC*, 599 F. Supp. 3d 586 (E.D. Mich. 2022), *appeal docketed*, No. 22-1455 (6th Cir. May 23, 2022).

<sup>660</sup> *Id.* at 591 (quoting *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 596 (6th Cir. 1989)).

<sup>661</sup> *Id.* at 592 (first quoting *WLWC Ctrs., Inc. v. Winners Corp.*, 563 F. Supp. 717, 724 (M.D. Tenn. 1983); and then quoting *Appalachian Log Homes*, 871 F.2d at 596).

<sup>662</sup> *Id.*

Noting that “[w]hether secondary meaning has been established is ‘an inherently factual inquiry,’”<sup>663</sup> a New York federal district court weighing a distinctiveness-based motion to dismiss in a case between two transportation services turned to the six factors identified by the Second Circuit as relevant to the inquiry, namely: “(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and, (6) length and exclusivity of the mark’s use.”<sup>664</sup> It then held the following averments in the complaint sufficiently established the distinctiveness of the plaintiff’s KID KAR mark prior to the defendants’ introduction of their allegedly infringing mark to allow the plaintiff to escape the defendants’ motion:

[The plaintiff] has plausibly alleged that [its] mark has acquired secondary meaning. The Complaint alleges that [the plaintiff] spent substantial time and expense since its founding in 2006 to promote the . . . mark. It details marketing visits and distribution of marketing materials to hospitals, doctor’s offices and other locations in the New York City Area. [The plaintiff] further alleges that it has been profiled favorably by local and national media outlets, none of which were solicited by [the plaintiff]. The Complaint details how [the plaintiff] has “developed a well-earned reputation for safe and quality service” as evidenced by positive and unsolicited reviews and recommendations by consumers. [The plaintiff] attaches the partial results of a Google search for the [mark] in which some of the top listings relate to [the plaintiff] but does not return results for other transportation service providers.<sup>665</sup>

Outside the context of motions to dismiss, factual disputes on the issue of acquired distinctiveness prevented some litigants from prevailing on motions for summary judgment. For example, the Fifth Circuit took a dim view of the decision by a Louisiana federal district court that the appearance of a line of tableware, of which the following pieces were representative examples, lacked acquired distinctiveness as a matter of law:<sup>666</sup>

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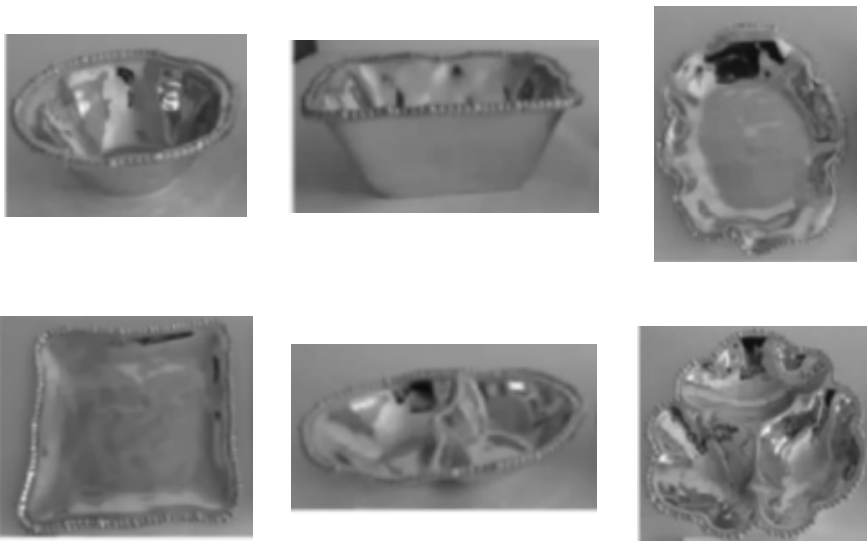
<sup>663</sup> *Kid Car NY, LLC v. Kidmoto Techs. LLC*, 518 F. Supp. 3d 740, 751 (S.D.N.Y. 2021) (quoting *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 226 (2d Cir. 2012)).

<sup>664</sup> *Id.* (quoting *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 143 n.4 (2d Cir. 1997)).

<sup>665</sup> *Id.* at 751–52 (citations omitted).

<sup>666</sup> *See Beatriz Ball, L.L.C. v. Barbagallo Co.*, 40 F.4th 308, 314 (5th Cir. 2022) (per curiam).





En route to a vacatur and remand, the appellate court noted that it previously had held the following factors relevant to the inquiry:

- (1) length and manner of use of the mark or trade dress,
- (2) volume of sales, (3) amount and manner of advertising,
- (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer survey evidence, (6) direct consumer testimony, and (7) the defendant's intent in copying the trade dress.<sup>667</sup>

As the Fifth Circuit saw it, the district court had unfairly faulted the plaintiff's showing under the second factor because the plaintiff allegedly had not demonstrated its sales of the particular line of goods at issue; in fact, it held, although an exhibit proffered by the plaintiff had not been "clearly labeled," testimony by the plaintiff's witnesses had clarified that the exhibit's numbers related only to that line.<sup>668</sup> That was not the district court's only mistake, however, for it also had erroneously discounted the plaintiff's showing of favorable press coverage because that coverage did not mention the word mark under which the plaintiff's was sold.<sup>669</sup> Finally, the court of appeals held, the district court had failed to give appropriate weight to the plaintiff's showing of intentional copying, of which it observed that:

[A] visual comparison of [the defendant's] products to the [plaintiff's] line makes it difficult to deny that there was

<sup>667</sup> *Id.* at 317 (quoting *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 248 (5th Cir. 2010)).

<sup>668</sup> *Id.* at 318.

<sup>669</sup> *Id.* at 319.

intent to copy. The designs are not just alike, they are indistinguishable in some cases. When two product designs are so very similar, an inference of intent is permissible. Moreover, evidence of deliberate copying can be a weighty factor if it appears the copying attempted to benefit from the perceived secondary meaning.<sup>670</sup>

A remand therefore was appropriate to allow the district court to revisit the summary judgment record.

Intentional copying also played a key role in an appeal in which the Ninth Circuit similarly vacated a finding of no acquired distinctiveness.<sup>671</sup> The plaintiff sold the outdoor party game shown below on the left, while the defendant sold the competitive product shown below on the right.<sup>672</sup>



The district court entered summary judgment in the defendant's favor after concluding that the plaintiff had failed to establish a factual dispute concerning the distinctiveness of its game, but the court of appeals vacated that determination.

A primary reason for the vacatur was the district court's erroneous requirement of a demonstration by the plaintiff that consumers associated the claimed trade dress with the plaintiff itself. That requirement, the appellate court held, "conflicts with our long-established precedents requiring association with only a single—even anonymous—source."<sup>673</sup> Indeed, the primary authority upon which the district court relied had observed that the "basic element of secondary meaning" is an association "with the *same source*."<sup>674</sup> "When judicial opinions refer to a 'single' or 'same'

<sup>670</sup> *Id.* at 320.

<sup>671</sup> *P & P Imps. LLC v. Johnson Enters.*, 46 F.4th 953 (9th Cir. 2022).

<sup>672</sup> *Id.* at 957.

<sup>673</sup> *Id.* at 959 (first citing *Maljack Prods. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 887 (9th Cir. 1996); and then citing *Bentley v. Sunset House Distrib. Corp.*, 359 F.2d 140, 147 (9th Cir. 1966)).

<sup>674</sup> *Id.* (quoting *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958, 967 (9th Cir. 2011)).

source,” the court continued, “they are not suggesting that consumers must know ‘the corporate name of the producer or seller’; rather, they connote that ‘a single, albeit anonymous, source’ suffices.”<sup>675</sup> Finally, in addition to misreading the court’s past decisions, the district court’s analysis clashed with Section 45 of the Act: “Our ‘anonymous source’ test flows directly from the text of that statute, which defines ‘trademark’ as ‘any word, name, symbol, or device’ that ‘indicate[s] the source of the goods, even if that source is *unknown*.’”<sup>676</sup>

A second reversible error identified by the court was the district court’s failure to give proper weight to the plaintiff’s proffered evidence of the defendant’s intentional copying of the plaintiff’s design—even though the plaintiff itself had copied a smaller tabletop version of a third party’s game. That evidence included showings that the defendant had: (1) done market research; (2) ordered an example of the best-selling versions of the plaintiff’s game; (3) sent samples of the allegedly copied game to its Chinese manufacturer; and (4) sold “a nearly identical game mere months later.”<sup>677</sup> Although the defendant argued that any copying was probative only if it arose from an intent to confuse, the court responded that “[w]e have only held that an intent to confuse is required for establishing likelihood of consumer confusion, a separate element of a trade dress claim.”<sup>678</sup> Moreover, and in any case, “[a]n intent to confuse may be inferred when the defendant copies a product’s design and marketing. . . . Thus, precise copying of the plaintiff’s marketing suggests that the defendant intended to ‘pass off its product as the plaintiff’s.’”<sup>679</sup> Especially because the summary judgment record suggested that the defendant had copied the plaintiff’s marketing materials as well as its game,<sup>680</sup> summary judgment of nondistinctiveness was inappropriate for that reason as well.

Finally, the court of appeals faulted the district court for disregarding survey evidence that 63% of respondents associated the appearance of the plaintiff’s game with a single source. Although

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<sup>675</sup> *Id.* at 960 (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 15:8 (5th ed.)).

<sup>676</sup> *Id.* at 691 (quoting 15 U.S.C. § 1127 (2018)).

<sup>677</sup> *Id.*

<sup>678</sup> *Id.* at 692.

<sup>679</sup> *Id.* (quoting *Cont’l Lab’y Prods. v. Medax Int’l, Inc.*, 114 F. Supp. 2d 992, 1010 (S.D. Cal. 2000)).

<sup>680</sup> *Id.* (“[The defendant] copied much of [the plaintiff’s] product description. Like [the plaintiff], [the defendant] says the game board is made from ‘premium wood’; the tokens are made from ‘durable plastic’ that ‘will never break’; the carrying case was ‘durable’ or ‘robust’; the game will provide ‘giant’ or ‘jumbo’ fun for ‘kids and adults of all ages’; and the game measures ‘3 feet,’ even though the [defendant’s game] is slightly smaller. While we would expect [the defendant] to describe the game’s materials, durability, and dimensions, its decision to crib identical language from [the plaintiff’s] advertisement suggests that [the defendant] intentionally cast its game as [the plaintiff’s].”).

having not challenged the admissibility of the survey's results before the district court, the defendant argued on appeal that the results were unreliable because the survey had been conducted two-and-a-half years after the introduction of the defendant's game. The court was unconvinced, holding that:

[The plaintiff] was not required to preemptively conduct consumer surveys in anticipation of litigation . . . . Surveys conducted within five years of the first infringing use are generally relevant, and the time (zero to five years) between the first infringing use and the survey goes to the weight of the survey evidence. Here, [the plaintiff's expert] conducted his survey two-and-a-half years after [the defendant] began selling its allegedly infringing product. [The] survey is well within the outer limit of temporally relevant secondary meaning surveys.<sup>681</sup>

The defendant also complained that, in associating the design of the plaintiff's game with a single source, survey respondents might have cued off of the third party's table-top game, which had been on the market for half a century before the introduction of the plaintiff's game, but the court held that point more properly raised in cross-examination of the plaintiff's survey expert at trial.<sup>682</sup> "Because [the plaintiff] has presented compelling evidence of intentional copying and an admissible consumer survey," the court concluded, "a triable issue of fact exists on secondary meaning. We thus reverse the district court's grant of summary judgment on all claims."<sup>683</sup>

### (3) Nonfunctionality

#### (a) *Utilitarian Nonfunctionality*

Two reported opinions demonstrated the value of federal registrations in the utilitarian functionality inquiry. In the first, a New York federal district court had little difficulty finding an incontestably registered foil beverage package nonfunctional, shown below on the left with two exemplars as the package appeared in the marketplace in the center and on the right:<sup>684</sup>

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<sup>681</sup> *Id.* at 693 (citations omitted).

<sup>682</sup> *Id.*

<sup>683</sup> *Id.*

<sup>684</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 109 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).



According to the court, “[t]he [parties’] competing products are metallic foil pouches containing juice, with a straw to be inserted near the top.”<sup>685</sup> “There are functional benefits to such products,” it found, “including that they are easily portable, lightweight, malleable and responsive to the touch, can be put into the freezer, and lend themselves to playful interaction.”<sup>686</sup> Nevertheless, “these features of the pouches are unaffected by the letters, graphics, and labels that appear on them. Nor does [the plaintiff’s] trade dress affect the product’s cost and quality. It therefore does not preclude effective competition in the kids single-serve beverage market.”<sup>687</sup>

The second opinion originated in an action to protect the following registered configuration of a filter for an ozone-based cleaning device, which appears below on the left, along with a specimen shown in its file-wrapper history:<sup>688</sup>

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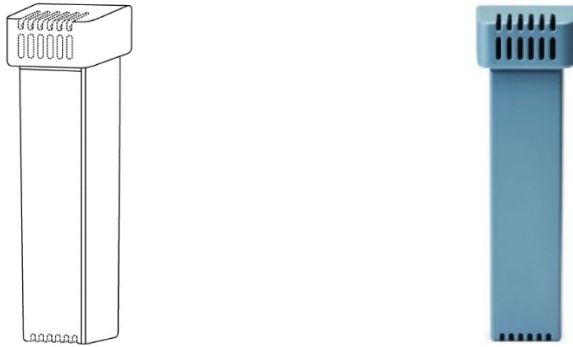
<sup>685</sup> *Id.* at 188, 190.

<sup>686</sup> *Id.* at 188.

<sup>687</sup> *Id.* (citation omitted).

<sup>688</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 292 (D. Mass. 2021), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

The photograph in the text accompanying this footnote is reproduced from the file-wrapper history of U.S. Registration No. 6080195.



Having placed the burden on the defendant to prove the functionality of the registered plaintiff's mark, the court held that:

A feature of a mark is “functional,” and therefore not subject to protection under the Lanham Act, where the feature “is one the ‘exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage,’” or “when it is essential to the use or purpose of the [product]” or “it affects the cost or quality of the [product].” “[E]ssential” does not mean that a feature is strictly “necessary” for the product to function. That is, a design may still be considered functional, and thus not subject to trademark protection, even where alternative designs are possible. Instead, a feature is “essential” where “the evidence shows that the design provides identifiable utilitarian advantages to the user; i.e., the product or container “has a particular shape because it works better in [that] shape.”<sup>689</sup>

The court then turned to four categories of evidence to inform its application of those standards, namely: (1) the utility of the plaintiff's design; (2) the claims in any related utility patent; (3) whether the plaintiff had marketed the design based on its usefulness; and (4) the existence of alternative designs capable of performing the same function without sacrificing cost or utility.<sup>690</sup> The first consideration—which the court characterized as direct evidence versus the circumstantial evidence represented by the others—favored a finding of functionality because “any other shape would not only increase manufacturing costs but would also compromise functionality by reducing the amount of filter media that can be contained in the filter body” and because many (but not

<sup>689</sup> *SoClean*, 554 F. Supp. 3d at 298–99 (alteration in original) (first quoting *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001); then quoting *id.* at 34; and then quoting *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1274 (Fed. Cir. 2002)).

<sup>690</sup> *Id.* at 299.

all) individual features of the plaintiff's design were functional.<sup>691</sup> Nevertheless, citing the evidentiary significance of the plaintiff's registration as well, the court ultimately credited the plaintiff's showings of alternative designs and inclusion in the plaintiff's design of at least some nonfunctional features en route to a finding that the plaintiff was likely to prevail on its claim to own a protectable mark.<sup>692</sup>

In light of the Supreme Court's suggestion in *TraFFix Devices, Inc. v. Marketing Displays, Inc.*<sup>693</sup> that consideration of alternative designs may be inappropriate in the functionality inquiry,<sup>694</sup> the district court's evaluation of just such designs rather predictably led the defendant to notice an appeal to the Federal Circuit.<sup>695</sup> Applying First Circuit law, that court agreed as a threshold matter with the district court's holding that "[a] combination of functional features, where the combination itself is not functional, is protectable; [t]he crucial inquiry is into the effect that granting protection will have on the opportunity of others to compete."<sup>696</sup> Although the defendant accused the district court of considering alternative designs only after it had reached a finding of functionality, the appellate court rejected that argument, concluding from the preliminary injunction record that the district court had weighed the plaintiff's proffered alternative designs as part of the functionality inquiry in the first instance. That approach, the court held, constituted the "correct" one.<sup>697</sup>

In contrast, in a particularly aggressive finding of utilitarian functionality of a matter of law, an Idaho federal district court found that the "look and feel" of "a cityscape scene that includes store fronts, a post office, grocery store, gas station, roadway, farm area, and construction area—among other things" was unprotectable.<sup>698</sup> The cityscape was part of a "children's discovery center," which offered education classes, daycare services, and "an interactive area where children can play and learn."<sup>699</sup> In granting a defense motion

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<sup>691</sup> *Id.*

<sup>692</sup> *Id.* at 302.

<sup>693</sup> 532 U.S. 23 (2001).

<sup>694</sup> *Id.* at 33–34 ("There is no need . . . to engage, as did the Court of Appeals, in speculation about other design possibilities . . . . Here, the functionality of the [plaintiff's] design means that competitors need not explore whether other [designs] might be used. The dual-spring design is not an arbitrary flourish in the configuration of [the plaintiff's] product; it is the reason the device works. Other designs need not be attempted.").

<sup>695</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>696</sup> *Id.* at 1370 (second alteration in original) (quoting *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 37 (1st Cir. 1998)).

<sup>697</sup> *Id.* at 1371.

<sup>698</sup> See *Kids' Town at the Falls LLC v. City of Rexburg*, 570 F. Supp. 3d 911, 917 (D. Idaho 2021).

<sup>699</sup> *Id.*

for summary judgment, the court looked to the Ninth Circuit's four-factor test for functionality, namely: "(1) whether the [claimed] design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture."<sup>700</sup> The plaintiff fared poorly under each factor, with the court concluding with respect to the first that "[a]t [the plaintiff's] discovery center, the design (the look and feel) of the cityscape (the store, gas station, fire dept, etc.) as well as the interactive play areas, are the purported reason patrons choose to come. Accordingly, by design, these elements affect the quality of the experience and, thus, yield a utilitarian advantage."<sup>701</sup> Moving to the second factor, the court acknowledged that "[i]t seems clear there would be alternative designs available for the collective features in [the plaintiff's] discovery center,"<sup>702</sup> but it ultimately found that "while there are alternative designs available, this fact—standing alone—does not defeat functionality."<sup>703</sup> The court then generously weighed the third factor in the defendant's favor because "[the plaintiff] actively seeks customers through advertising based upon specific features, i.e., the unique and appealing overall look and feel of its discovery center . . . ."<sup>704</sup> With an absence from the summary judgment record of evidence regarding the plaintiff's manufacturing costs, the first three factors justified a finding of utilitarian functionality:

The purpose of the discovery center is to allow children to touch, move, and interact with the design features. The features, individually and collectively, are an integral part of the child's experience and provide the actual benefit of the trade dress. This is the precise definition of having a utilitarian advantage.<sup>705</sup>

### ***(b) Aesthetic Nonfunctionality***

A Florida federal district court found that numerous elements of the appearances of the following cans for energy drinks were aesthetically functional:<sup>706</sup>

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<sup>700</sup> *Id.* at 925 (quoting *Blumenthal Distrib., Inc. v. Herman Miller, Inc.*, 963 F.3d 859, 866 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1514 (2021)).

<sup>701</sup> *Id.* at 927.

<sup>702</sup> *Id.*

<sup>703</sup> *Id.* at 927–28.

<sup>704</sup> *Id.* at 928.

<sup>705</sup> *Id.*

<sup>706</sup> *See Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180, 1194 (S.D. Fla. 2021).





lead plaintiff's goods in the United States.<sup>712</sup> Based in part on the successful registration of the disputed mark by one of the defendants, they sought summary judgment on the theory that the lead plaintiff did not own the mark; likewise, the plaintiffs filed their own cross-motion for liability based on the lead plaintiff's ownership of it.

The court denied the defendants' motion and granted that of the plaintiffs. In doing so, it held that, without dispositive contractual agreement between the parties, a presumption existed in favor of the foreign manufacturers in ownership disputes vis-à-vis their domestic distributors. Moreover, it held, that presumption was irrebuttable if, as it found to be the case where the relationship between the parties before it was concerned, the distribution agreement at issue was not exclusive. The plaintiffs therefore were entitled to summary judgment for that reason alone: "Where multiple distributors sell a single manufacturer's products under a common trademark," the court explained, "consumers don't understand that mark as representing any one distributor over another. Instead, the mark represents the one common link: the manufacturer."<sup>713</sup>

There was more, however. Even to the extent the parties' agreement might be exclusive, therefore allowing the defendants to rebut the presumption, they failed to do so under the increasingly familiar six-part test for mark ownership originally proposed by Professor McCarthy:<sup>714</sup>

The six factors that should be considered are: (1) which party invented or created the mark; (2) which party first affixed the mark to goods sold; (3) which party's name appeared on packaging and promotional materials in conjunction with the mark; (4) which party exercised control over the nature and quality of goods on which the mark appeared; (5) to which party did customers look as standing behind the goods, e.g., which party received complaints for defects and made appropriate replacement or refund; and (6) which party paid for advertising and promotion of the trademarked product.<sup>715</sup>

In the case at hand, the court's grant of summary judgment in the plaintiffs' favor did not track the six factors seriatim, but it nevertheless found that the defendants' showing fell short as a matter of law. With respect to the first, second, and third doctrinal factors, the summary judgment record established that the

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<sup>712</sup> See *Shenzhen Kinwong Elec. Co. v. Kukreja*, 574 F. Supp. 3d 1191, 1217 (S.D. Fla. 2021).

<sup>713</sup> *Id.* at 1218.

<sup>714</sup> See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 16:48 (5th ed.).

<sup>715</sup> *Shenzhen Kinwong Elec. Co.*, 574 F. Supp. 3d at 1218 (quoting *Covertech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163, 171 (3d Cir. 2017)).

plaintiffs had affixed the disputed mark to goods well prior to the defendants doing so;<sup>716</sup> indeed, that had taken place well prior to the defendants becoming distributors of the plaintiffs' goods.<sup>717</sup> Addressing the fifth factor, the court found it undisputed that the relevant customers viewed the plaintiffs as standing behind the goods in question based on, among other things, customers' insistence on receiving only goods manufactured by the plaintiffs and their inclusion of references to the lead plaintiff on purchase orders submitted to the defendants.<sup>718</sup> With the defendants failing to point to any evidence or testimony that they had promoted the disputed mark, much less to the extent the plaintiffs had, the sixth factor also favored the plaintiffs.<sup>719</sup> With only the fourth factor reasonably in dispute,<sup>720</sup> the lead plaintiff owned the mark as a matter of law.

An equally aggressive claim of mark ownership by a group of distributors fell equally short, albeit only on a failed motion to dismiss.<sup>721</sup> A portion of the parties' exclusive distribution agreement accorded the lead defendant the right and obligation to enforce the rights to the disputed mark against third-party infringers, and, on the basis of that language, the lead defendant claimed to own the mark. Viewing the agreement as a license for purposes of the defendants' motion, the court found that argument fatally deficient:

[The lead defendant] argues that it is incapable of infringing a mark that it owns. This [argument], unsupported by any trademark law authority, attempts to transmute the legal implications of an exclusive license in the copyright context into a limited license in the trademark context. For all its brashness, the argument sputters at the outset and fails to ward off [the plaintiffs'] infringement claim.<sup>722</sup>

Citing "express limitations placed on [the lead defendant's] use of [the plaintiffs'] trademark under the license,"<sup>723</sup> the court found it apparent that the agreement did, in fact, preserve the plaintiffs' ownership of its mark.

A final notable ownership dispute originated in a schism within a charitable organization, which led the two factions to litigate the

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<sup>716</sup> Beyond that, rather than granting ownership of the mark to the defendants, the parties' agreement actually *prohibited* them from using that mark. *Id.* at 1223–26.

<sup>717</sup> *Id.* at 1219–23.

<sup>718</sup> *Id.* at 1235.

<sup>719</sup> *Id.* at 1236.

<sup>720</sup> The court found "it appears that both sides played a vital role in ensuring the quality of [goods distributed under the agreement]"; it gave the defendants the benefit of the doubt by weighing the fourth factor in their favor. *Id.* at 1234.

<sup>721</sup> See *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83 (E.D.N.Y. 2021).

<sup>722</sup> *Id.* at 99 (citation omitted).

<sup>723</sup> *Id.* at 100.

issue of which owned the original organization's service mark.<sup>724</sup> The plaintiff was a Nebraska nonprofit corporation that hired, and then terminated, one of the individual defendants as its president, who responded to the termination by incorporating a nonprofit corporation in Massachusetts; according to the defendants, that individual defendant remained the president of the plaintiff and had merely relocated the original organization to Boston. Faulting the parties for their "convoluted" evidentiary submissions,<sup>725</sup> the court found on the plaintiff's preliminary injunction motion that the plaintiff more likely than not was the original organization, which the court found remained active in Nebraska and had as its treasurer the individual who had secured the organization's nonprofit status from the Internal Revenue Service. In contrast, it found that the lead defendant had been organized as an entity only after the contested termination of the would-be president and that none of its officers was listed on any filings with the IRS.<sup>726</sup>

### iii. Violations of Trademark and Service Mark Rights

#### *(A) Actionable Uses in Commerce by Defendants*

As a prerequisite for liability, the Lanham Act's primary statutory causes of action, namely, those set forth in Sections 32,<sup>727</sup> 43(a),<sup>728</sup> and 43(c),<sup>729</sup> each require the challenged use be one in connection with goods or services in commerce. Likewise, corresponding state law causes of actions often contemplate similar showings by plaintiffs, albeit without requiring that use to occur across state lines.<sup>730</sup> These requirements often lead defendants to challenge the adequacy of plaintiffs' averments or proof of the necessary use.

#### **(1) Opinions Finding Actionable Uses in Commerce**

Inquiries into whether a defendant has made an actionable use in commerce in the Sixth Circuit are complicated by the rule extant

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<sup>724</sup> See *Umuoji Improvement Union (N. Am.), Inc. v. Umuoji Improvement Union (N. Am.), Inc.*, 537 F. Supp. 3d 79 (D. Mass. 2021).

<sup>725</sup> *Id.* at 85.

<sup>726</sup> *Id.* at 85–86.

<sup>727</sup> 15 U.S.C. § 1114 (2018).

<sup>728</sup> *Id.* § 1125(a).

<sup>729</sup> *Id.* § 1125(c).

<sup>730</sup> See, e.g., N.Y. Gen. Bus. Law § 360-k(a) (McKinney 2012) (providing for cause of action against "any person who shall . . . (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of a mark registered under this article in connection with the sale, distribution, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive as to the source of origin of such goods or services").

in that jurisdiction that only *trademark* uses in commerce are actionable.<sup>731</sup> Nevertheless, that rule did not prevent one plaintiff from successfully prosecuting a preliminary injunction motion before a Kentucky federal district court in a dispute between two bourbon producers.<sup>732</sup> The defendant was run by the family of one J.W. Dant, who sought to capitalize on Dant's legacy despite the plaintiff's ownership of three federally registered J.W. DANT marks and a Kentucky registration of THE DANT DISTILLERY COMPANY. The defendant did so by, *inter alia*, repeatedly invoking its principals' familial relationship with Dant, adopting Dant's idiosyncratic method of distillation using a hollow poplar log, naming its campus DANT CROSSING, reciting on its labels that "Joseph Washington Dant started this tradition way back in 1836 when he felled a poplar tree,"<sup>733</sup> and featuring photographs of J.W. DANT-branded bourbon in its promotional materials, all despite the plaintiff's status as Dant's successor in interest.

The court held that those facts established actionable trademark uses in commerce:

[The defendant] is using J.W. Dant, his story, and the date 1836 to sell products and reap goodwill associated with the J.W. Dant brand. As shown by the evidence . . . , Log Still adopted a marketing plan to use the legacy and even images of J.W. Dant bourbon and the historic Dant Distillery Company to market Log Still's new spirits. [The defendant's principal] and his cousins are not teachers, documentary filmmakers, or bourbon critics who might fairly use the J.W. Dant name in a non-trademark way. They are investors and entrepreneurs who used J.W. Dant to introduce a new line of spirits to the commercial marketplace.<sup>734</sup>

The Sixth Circuit's "admittedly idiosyncratic" conception of actionable uses in commerce<sup>735</sup> therefore did not prevent the plaintiff's case from moving forward.

In a different case, and as part of an investigation into the possible trafficking of goods bearing counterfeit imitations of its registered marks, one plaintiff placed orders for, and subsequently

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<sup>731</sup> See, e.g., *Hensley Mfg. v. ProPride, Inc.*, 579 F.3d 603, 609–11 (6th Cir. 2009) ("[T]he likelihood of confusion analysis . . . involves a preliminary question: whether the defendants 'are using the challenged mark in a way that identifies the source of their goods.' If they are not, then the mark is being used in a "'non-trademark' way' and trademark infringement laws . . . do not even apply." (second and third alterations in original) (quoting *Interactive Prods. Corp. v. a2z Mobile Off. Sols., Inc.*, 326 F.3d 687, 695 (6th Cir. 2003)).

<sup>732</sup> See *Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

<sup>733</sup> *Id.* at 802.

<sup>734</sup> *Id.* at 806 (citation omitted).

<sup>735</sup> *Id.*

received, shipments of just such goods.<sup>736</sup> Defending themselves against the plaintiffs' motion for summary judgment, the defendants from which the goods originated argued that the individual with whom the plaintiff placed its order was not their employee and that the plaintiff therefore had failed to demonstrate they had engaged in an actionable use in commerce. Whatever the individual's employment status, however, the court found it undisputed that the defendants had themselves engaged in various actionable acts in commerce, including the storage, shipping, and handling of the goods in question. Because "in patent, trademark, literary property, and copyright infringement cases, any member of the distribution chain of allegedly infringing products can be jointly and severally liable for the alleged misconduct,"<sup>737</sup> the court found the plaintiff's showing "sufficient to establish Defendants were part of the distribution chain and therefore used the goods in commerce."<sup>738</sup>

## (2) Opinions Declining to Find Actionable Uses in Commerce

Defendants in the channels of distribution for goods bearing counterfeit imitations of registered marks rarely fare well in litigation, but several shipping companies accused of both direct and contributory liability for counterfeiting not only managed to extricate themselves from the former theory but did so as a matter of law.<sup>739</sup> They did so by successfully arguing in a motion for summary judgment that their unknowing transportation of the goods in question failed to qualify as an actionable use in commerce. As the court summarized the opposition to that motion, the plaintiff contended that "because 'use in commerce' explicitly includes goods that are 'sold or transported,' the Lanham Act creates strict liability for *transporters* of counterfeit goods such as [the defendants]—even where the transporters do not sell the counterfeit goods and do not know what they are transporting."<sup>740</sup> Noting that "Section [32] makes clear that liability for infringement attaches only where the 'use in commerce' is 'in connection with the sale, offering for sale, distribution, or advertising of goods or services,'" <sup>741</sup> the court held that "[h]ere, even assuming that [the defendants'] role in arranging for transportation of the goods otherwise constitutes 'use,' it is

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<sup>736</sup> See *JUUL Labs, Inc. v. Chou*, 557 F. Supp. 3d 1041 (C.D. Cal. 2021), *reconsideration denied*, No. CV 21-3056 DSF (PDx), 2022 WL 4596556 (C.D. Cal. Aug. 22, 2022).

<sup>737</sup> *Id.* at 1052 (quoting *Adobe Sys. Inc. v. Blue Source Grp.*, 125 F. Supp. 3d 945, 973 (N.D. Cal. 2015)).

<sup>738</sup> *Id.*

<sup>739</sup> See *Nike, Inc. v. B&H Customs Servs., Inc.*, 565 F. Supp. 3d 498 (S.D.N.Y. 2021).

<sup>740</sup> *Id.* at 507.

<sup>741</sup> *Id.* at 507–08 (quoting 15 U.S.C. § 1114(1) (2018)).

undisputed that [the defendants] had no intention of selling, distributing, or advertising the counterfeit goods.”<sup>742</sup> The defendants were entitled to prevail under the plaintiff’s Section 32 cause of action as a matter of law; what’s more, the court held the same outcome appropriate under Section 43(a) despite the absence from that statute of the key language from Section 32.<sup>743</sup> The court finally entered summary judgment of nonliability under Section 43(c) as well, holding that the defendants, “by merely transporting counterfeit goods, did not make ‘commercial use of the mark’ in a way that could ‘dilute[ ] the quality of the mark.’”<sup>744</sup>

In a different case, one not presenting allegations of counterfeiting, a religious organization owning the registered THE SATANIC TEMPLE service mark struck out as a matter of law in its attempt to hold a group of defendants liable for diluting that allegedly famous mark’s distinctiveness.<sup>745</sup> According to the plaintiff’s complaint, the defendants were former leaders within the plaintiff’s organization before their removal for “organizational failures and inflammation of interpersonal conflicts.”<sup>746</sup> The defendants allegedly engaged in various misconduct following their removal, including intrusions into the plaintiff’s Facebook, Google, and Twitter accounts. As relevant to its cause of action for likely dilution, the plaintiff also accused the defendants of using the phrase “The Satanic Temple 2: Electric Boogaloo” in connection with a competing organization they either had formed or planned to form. Unfortunately for the plaintiff on the defendants’ motion to dismiss, however, the court found that “the only mention of the phrase in [the plaintiff’s] exhibits to its . . . complaint is what appears to be a third-party comment on [one defendant’s] Facebook page proposing possible names, including ‘The Satanic Temple 2: The Second One’ and ‘S2: The Mighty Satanists.’”<sup>747</sup> Moreover, although the plaintiff accused the defendants of having sold and advertised merchandise bearing marks “derivative” of its own mark, its allegations failed to identify either the derivative marks at issue or the goods to which they had been affixed. The court therefore granted the defendants’ motion to dismiss for want of plausible allegations that they had engaged in actionable uses in commerce.<sup>748</sup>

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<sup>742</sup> *Id.* at 508.

<sup>743</sup> *Id.*

<sup>744</sup> *Id.* at 514 (alterations in original) (quoting *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 112 (2d Cir. 2010)).

<sup>745</sup> *See United Fed’n of Churches, LLC v. Johnson*, 598 F. Supp. 3d 1084 (W.D. Wash. 2022).

<sup>746</sup> *Id.* at 1089.

<sup>747</sup> *Id.* at 1102.

<sup>748</sup> *Id.* at 1102–03.

### (3) Opinions Deferring Resolution of the Actionable Use-in-Commerce Inquiry

Some courts declined to resolve the issue of whether defendants had engaged in actionable uses in commerce until later. Sometimes that disposition held on unsuccessful motions to dismiss,<sup>749</sup> as in a case in which the plaintiff sold single-use mold-detection devices.<sup>750</sup> The defendant distributed the plaintiff's devices to home inspectors, who then returned them to the defendant for evaluation. Litigation between the parties arose when the defendant allegedly again distributed the devices, which at that point lacked a critical filter. Seeking to defeat the plaintiff's various causes of action at the pleadings stage, the defendant argued in a motion to dismiss that it had not used the plaintiff's mark in commerce because it did not actually resell the plaintiff's devices. The court denied the motion, explaining that "this is a factual dispute that cannot be resolved at the motion-to-dismiss stage."<sup>751</sup> "In any event," the court continued, "the 'use in commerce' requirement may be met where the trademark is used in an effort to 'promote and advertise' products or services. Here, [the plaintiff has] adequately alleged that [the defendant] reused [devices] bearing the [plaintiff's] mark and distributed those [devices] into the market."<sup>752</sup>

A separate reported opinion to resolve the actionable-use-in-commerce inquiry in favor of a plaintiff, at least for purposes of an unsuccessful motion to dismiss, came in an action brought by the owner of the DE JA VU SHOWGIRLS mark for burlesque shows and nightclubs.<sup>753</sup> That plaintiff filed suit after the defendant registered the dejavueshowgirls.com domain name, at which it made accessible the following landing page:<sup>754</sup>

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<sup>749</sup> See, e.g., *Nat'l Acad. of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc.*, 551 F. Supp. 3d 408, 426 n.11 (S.D.N.Y. 2021) (denying motion to dismiss challenge to alleged parody of plaintiff's mark because of allegations establishing service mark usage of defendants' use).

<sup>750</sup> See *Cole-Parmer Instrument Co. v. Pro. Lab'ys*, 568 F. Supp. 3d 1307 (S.D. Fla. 2021).

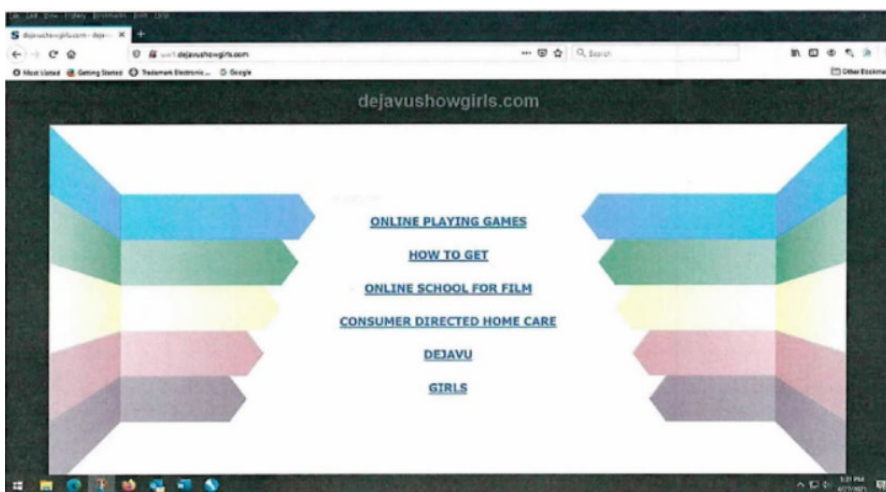
<sup>751</sup> *Id.* at 1314 n.1.

<sup>752</sup> *Id.*

<sup>753</sup> See *Glob. Licensing, Inc. v. Namefind LLC*, 582 F. Supp. 3d 467 (E.D. Mich. 2022).

<sup>754</sup> *Id.* at 473.





Seeking to head off a finding of liability for infringement, the defendant claimed in a motion to dismiss that the appearance of the domain name on the landing page, which the plaintiff reproduced in its complaint, did not constitute an actionable use in commerce. Citing the presence on the page of links to “confusingly similar products and services,” the court disagreed, holding instead that “[e]ven ‘extremely minimal’ commercial activity, such as providing a link to a third-party website that sells goods or provides services, can trigger liability.”<sup>755</sup> It therefore accepted as true the plaintiff’s allegations that the defendant had used its domain name in commerce and denied the defendant’s motion to dismiss.<sup>756</sup>

### ***(B) Infringement***

#### **(1) The Standard Multifactor Test for Likely Confusion**

##### ***(a) Factors Considered***

##### ***(i) The First Circuit***

Courts in the First Circuit considered eight factors when evaluating the likelihood of confusion between parties’ marks, namely: (1) the similarity of the marks; (2) the similarities of the parties’ goods and services; (3) the relationship between the parties’ advertising media; (4) evidence of actual confusion; (5) the classes of the parties’ purchasers; (6) any evidence of actual confusion; (7) the

<sup>755</sup> *Id.* at 483 (quoting *Taubman Co. v. Webfeats*, 319 F.3d 770, 775 (6th Cir. 2003)).

<sup>756</sup> *Id.*

defendant's subjective intent in adopting its mark; and (8) the overall strength of the plaintiff's mark.<sup>757</sup>

### (ii) The Second Circuit

The Second Circuit's *Polaroid* factors<sup>758</sup> continued to reign supreme in conventional likelihood-of-confusion disputes. Those factors comprised: (1) the strength (both conceptual and commercial) of the plaintiff's mark; (2) the degree of similarity between the parties' marks; (3) the competitive proximity of the parties' goods or services; (4) the likelihood of the parties bridging any gap between them; (5) actual confusion between the parties' marks; (6) the defendant's good faith or bad faith in adopting its mark; (7) the quality of the defendant's goods or services; and (8) the sophistication of the parties' customers.<sup>759</sup>

### (iii) The Third Circuit

There were no readily apparent applications of the Third Circuit's *Lapp* factors<sup>760</sup> in reported opinions.

### (iv) The Fourth Circuit

There were no readily apparent reported opinions applying the Fourth Circuit's multifactored test for likely confusion.

### (v) The Fifth Circuit

The Fifth Circuit, which was once committed to a seven-factor test for likely confusion,<sup>761</sup> appeared to have completed its transition to one considering eight factors. Those were: (1) the type of the mark allegedly infringed; (2) the similarity between the parties' marks; (3) the similarity of the parties' goods or services; (4) the extent to

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<sup>757</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 302 (D. Mass. 2021), *aff'd*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>758</sup> See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

<sup>759</sup> See *Hamilton Int'l Ltd. v. Vortic LLC*, 13 F.4th 264, 272 (2d Cir. 2021); *Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98, 106 (S.D.N.Y. 2022); *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581, 598 (S.D.N.Y. 2022); *adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151, 160 (S.D.N.Y. 2022); *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 145 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022); *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 468–69 (E.D.N.Y. 2021); *Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185, 200 (S.D.N.Y. 2021); *Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290, 299 (S.D.N.Y. 2021); *Nat'l Acad. of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc.*, 551 F. Supp. 3d 408, 427 (S.D.N.Y. 2021); *Kid Car NY, LLC v. Kidmoto Techs. LLC*, 518 F. Supp. 3d 740, 758 (S.D.N.Y. 2021).

<sup>760</sup> See *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983).

<sup>761</sup> See, e.g., *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45–46 (5th Cir. 1975).

which the parties share retail outlets; (5) the extent to which they shared advertising media; (6) the defendant's intent; (7) evidence of actual confusion; and (8) the degree of care exercised by purchasers.<sup>762</sup>

### (vi) The Sixth Circuit

Federal courts in the Sixth Circuit have long applied the multifactor test for likely confusion first set forth in *Frisch's Restaurant, Inc. v. Shoney's Inc.*<sup>763</sup> That did not change over the past year, and those courts continued to consider: (1) the strength of the plaintiff's mark; (2) the relatedness of the parties' goods; (3) the similarity of the parties' marks; (4) evidence of actual confusion; (5) the parties' marketing channels; (6) the likely degree of purchaser care; (7) the defendant's intent in selecting its mark; and (8) the likelihood of expansion of the parties' goods or services.<sup>764</sup>

### (vii) The Seventh Circuit

Federal courts in the Seventh Circuit continued to apply that jurisdiction's seven-factor test for likely confusion, which turned on: (1) the similarity between the parties' marks in appearance and suggestion; (2) the similarity of the parties' goods or services; (3) the area and manner of concurrent use; (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) the intent of the defendant to "palm off" its goods or services as those of another.<sup>765</sup>

### (viii) The Eighth Circuit

The Eighth Circuit itself, and those district courts answering to it, considered the following factors when weighing the likelihood of confusion between marks: (1) the strength of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the degree of competitive proximity between the parties' goods or services; (4) the alleged infringer's intent to confuse the public; (5) the degree of care exercised by consumers; and (6) evidence of actual confusion.<sup>766</sup>

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<sup>762</sup> See *Springboards to Educ., Inc. v. Pharr-San Juan-Alamo Indep. Sch. Dist.*, 33 F.4th 747, 750 (5th Cir. 2022); *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 648 (N.D. Tex. 2022).

<sup>763</sup> 759 F.2d 1261 (6th Cir. 1985).

<sup>764</sup> See *Max Rack, Inc. v. Core Health & Fitness, LLC*, 40 F.4th 454, 463 (6th Cir. 2022), *reh'g denied*, No. 20–3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022); *Glob. Licensing, Inc. v. Namefind LLC*, 582 F. Supp. 3d 467, 483–84 (E.D. Mich. 2022); *Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785, 819–20 (W.D. Ky. 2021).

<sup>765</sup> See *Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780, 803 (S.D. Ind. 2021).

<sup>766</sup> See *A.I.G. Agency, Inc. v. Am. Int'l Grp.*, 33 F.4th 1031, 1035 (8th Cir. 2022).

### (ix) The Ninth Circuit

The *Sleekcraft* factors<sup>767</sup> remained the law of the land for federal courts within the Ninth Circuit. They considered: (1) the strength of the plaintiff's mark; (2) the competitive proximity of the parties' goods or services; (3) the similarity of the parties' marks; (4) evidence of actual confusion; (5) the marketing channels used by the parties; (6) the type of the parties' goods or services and the degree of care likely to be exercised by purchasers of them; (7) the defendant's intent in selecting its mark; and (8) the likelihood of expansion of the parties' product or service lines.<sup>768</sup>

### (x) The Tenth Circuit

There were no readily apparent reported opinions applying the Tenth Circuit's multifactored test for likely confusion.

### (xi) The Eleventh Circuit

Although the Eleventh Circuit has prevaricated in recent years on the question of whether its multifactored test for likely confusion has seven or eight factors, it opted for the lower number in an appeal before it, thus relying on: (1) the distinctiveness of the mark alleged to have been infringed; (2) the similarity of the allegedly infringed and infringing marks; (3) the similarity between the parties' goods and services; (4) the similarity of the parties' sales outlets and customer base; (5) the similarity of the parties' advertising methods; (6) the intent of the alleged infringer; and (7) the existence and extent of actual confusion.<sup>769</sup>

### (xii) The District of Columbia Circuit

There were no readily apparent reported opinions applying the District of Columbia Circuit's multifactored test for likely confusion.

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<sup>767</sup> See *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979), *abrogated on other grounds by* *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003).

<sup>768</sup> See *Lodestar Anstalt v. Bacardi & Co.*, 31 F.4th 1228, 1252 (9th Cir.), *cert. denied*, 143 S. Ct. 428 (2022); *see also* *Ariz. Bd. of Regents v. Doe*, 555 F. Supp. 3d 805, 819 (D. Ariz. 2021) (referencing *Sleekcraft* factors without enumerating them), *aff'd*, No. 21-16525, 2022 WL 1514649 (9th Cir. May 13, 2022).

<sup>769</sup> See *Wreal, LLC v. Amazon.com, Inc.*, 38 F.4th 114, 127 (11th Cir. 2022); *see also* *Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180, 1262 (S.D. Fla. 2021).

***(b) Findings and Holdings***

**(i) Opinions Finding Confusion Likely on Motions for Preliminary Injunctive Relief**

Some preliminary injunction orders were foregone conclusions, even when they were not opposed by defendants.<sup>770</sup> One example arose in a case in which the counterclaim defendant asserted a likely confusion between its mark and that of its opponent, only to have that assertion backfire on it after the court found the counterclaim plaintiff to be the junior user.<sup>771</sup> Whether the counterclaim defendant's ill-advised assertion of a conflict between the parties' marks was dispositive, however, is doubtful in light of the close similarity between the parties' marks, both in the abstract and in how they were affixed to the apparel sold by both parties:<sup>772</sup>



<sup>770</sup> For an opinion converting a temporary restraining order into a preliminary injunction in the absence of opposition by the defendants, see *YETI Coolers, LLC v. Individuals, Business Entities, & Unincorporated Associations Identified on Schedule A*, 566 F. Supp. 3d 1333, 1340 (S.D. Fla. 2021) (“Plaintiff has a strong probability of proving at trial that consumers are likely to be confused by Defendants’ advertisement, promotion, sale, offer for sale, and/or distribution of goods bearing and/or using counterfeits, reproductions, or colorable imitations of [Plaintiffs] Marks, and that the products Defendants are selling and promoting for sale are copies of Plaintiff’s products that bear copies of [Plaintiffs] Marks.”).

<sup>771</sup> See *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624 (N.D. Tex. 2022).

<sup>772</sup> *Id.* at 636, 637, 638.

In addition to the obvious similarities between the parties' marks<sup>773</sup> and the competitive proximity between the goods sold under them,<sup>774</sup> the counterclaim plaintiff benefitted from the conceptual strength of its inherently distinctive mark,<sup>775</sup> an overlap in the parties' promotional media,<sup>776</sup> the absence of a good-faith explanation for the counterclaim defendant's introduction of apparel under its mark despite its knowledge of the counterclaim plaintiff's use,<sup>777</sup> and the possible lack of care exercised by the parties' targeted customers.<sup>778</sup> The court discounted the counterclaim plaintiff's anecdotal evidence of actual confusion because it did not involve mistaken purchasing decisions; still, however, one of the counterclaim plaintiff's customers had mistaken a hat sold by the counterclaim defendant as one of the counterclaim plaintiff's, which, the court found, "strongly suggests that a consumer would be confused by [the counterclaim defendant's] use of the Mark."<sup>779</sup>

Another strong case for a preliminary injunction came when the owner of the registered MAHARAJA mark for retail grocery stores, which used its mark as shown below on the left, filed suit against defendants using the mark shown below on the right for the same services:<sup>780</sup>



Not surprisingly, and despite the defendants' occasional use of the words "farmers market" with their presentation, the court found that, "[g]iven the nearly identical appearance of the marks and defendants' use of the word 'maharaja,' the similarity factor weighs overwhelmingly in favor of plaintiff."<sup>781</sup> It then found that the

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<sup>773</sup> *Id.* at 650.

<sup>774</sup> *Id.* at 650–52.

<sup>775</sup> *Id.* at 648–50.

<sup>776</sup> *Id.* at 652–53.

<sup>777</sup> *Id.* at 653–54.

<sup>778</sup> *Id.* at 657–58.

<sup>779</sup> *Id.* at 656.

<sup>780</sup> See *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 473 (E.D.N.Y. 2021).

<sup>781</sup> *Id.*

plaintiff's claim of likely confusion was further strengthened by the competitive proximity of the parties' services,<sup>782</sup> the plaintiff's showing of "considerable evidence of actual confusion" among consumers and vendors,<sup>783</sup> the defendants' clear bad faith,<sup>784</sup> the low level quality of the defendants' services,<sup>785</sup> and the unsophisticated nature of the parties' customers.<sup>786</sup>

A closer case, but one in which the plaintiff nevertheless also had the upper hand, arose in the bourbon industry.<sup>787</sup> The plaintiff in that dispute owned several marks based on the name of J.W. Dant, a nineteenth-century Kentucky distiller whose bourbon was notable for having been poured through a hollowed-out poplar log. The plaintiff's target was a competitor founded by Dant's descendants, which operated under the LOG STILL DISTILLERY mark and produced MONK'S ROAD-branded bourbon.<sup>788</sup> Although those names were distinguishable enough, the defendant's advertising was replete with references to Dant, which included use of the name DANT CROSSING for the defendant's campus, a "tasting room . . . walled by barrels stenciled with 'The Dant Distillery Company,' a common-law trademark registered to [the plaintiff],"<sup>789</sup> and relentless references to the family's "legacy" and "heritage"; indeed, that advertising even included photographs of J.W. DANT-branded bourbon produced by the plaintiff's predecessor. Finally, and for good measure, the defendant registered the jwdant.com domain name, "a direct copying of the J.W. Dant name that would lead people to believe the two were directly associated."<sup>790</sup>

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<sup>782</sup> *Id.* at 474 ("[B]oth plaintiff and defendants operate Indian retail grocery stores . . .").

<sup>783</sup> *Id.* ("Plaintiff's store manager testified at the hearing that customers have expressed confusion over the new Maharaja location opened by defendants, and some vendors have mistakenly brought invoices to their store instead of defendants'").

<sup>784</sup> *Id.* ("[D]efendants opened their Maharaja-branded grocery store less than one mile from plaintiff's location in New Hyde Park and refused to change the signage after receiving a cease-and-desist letter. Given plaintiff and [its] licensee's thirty years in the grocery business and the notable similarity between the marks, it appears defendants adopted the name Maharaja in order to capitalize on plaintiff's goodwill.").

<sup>785</sup> *Id.* at 475 ("Consumers have left negative online reviews for defendants' grocery store, complaining that they were sold expired meat.").

<sup>786</sup> *Id.* ("Defendants argue that the target customer is highly discerning about food products such as rice. The product at issue here, however, is the retail grocery store business, not any individual food product. The average grocery shopper—even at a supermarket catering to uniquely Indian foods—is a casual consumer. Thus, the sophistication factor weighs in plaintiff's favor as well." (citation omitted)).

<sup>787</sup> *See Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

<sup>788</sup> The defendant also produced gin, although that beverage factored little in the court's decision.

<sup>789</sup> *Id.* at 803.

<sup>790</sup> *Id.* at 827.

Not surprisingly, the plaintiff successfully adduced what the court characterized as the “best evidence” of likely confusion in the form of “numerous consumer and media reactions indicat[ing] a misperception that [the defendant] is either affiliated with or reviving the original J.W. Dant brand,”<sup>791</sup> a consideration perhaps meriting even greater weight than normal in light of the brief time since the defendant had begun operations. That was not the only factor favoring a finding of liability, however, for other pro-plaintiff factors included the competitive nature of the parties’ goods,<sup>792</sup> their targeting of bourbon tourists,<sup>793</sup> and ample evidence of the defendant’s intent to associate itself with the plaintiff,<sup>794</sup> which the court characterized as “about as close as many lawyers will ever come to a smoking gun.”<sup>795</sup> The defendant was not without evidence favoring its position—the plaintiff’s mark was commercially weak,<sup>796</sup> the defendant used its house mark in conjunction with its accused imitations of the plaintiff’s mark,<sup>797</sup> the parties’ presentations of their products in the marketplace were dissimilar,<sup>798</sup> and the results of a survey commissioned by the defendant yielded a modest 5% rate of confused respondents<sup>799</sup>—but those showings did not affect the plaintiff’s likelihood of prevailing on the merits.

Another opinion entering preliminary injunctive relief—at least in part—originated in a dispute between competitive manufacturers of filters for devices used to disinfect CPAP machines.<sup>800</sup> The plaintiff sought to protect the configuration of its filter, shown below on the left, against the defendant’s imitation, shown below on the right.<sup>801</sup>

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<sup>791</sup> *Id.* at 832.

<sup>792</sup> *Id.* at 823–25.

<sup>793</sup> *Id.* at 834–35.

<sup>794</sup> *Id.* at 836–39.

<sup>795</sup> *Id.* at 837.

<sup>796</sup> *Id.* at 821–823.

<sup>797</sup> *Id.* at 826–27, 829–30.

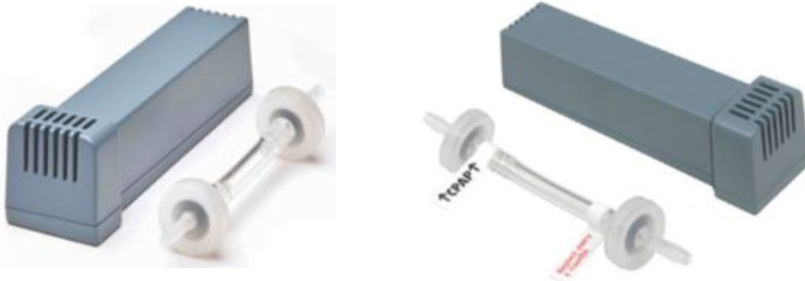
<sup>798</sup> *Id.* at 827–31.

<sup>799</sup> *Id.* at 834.

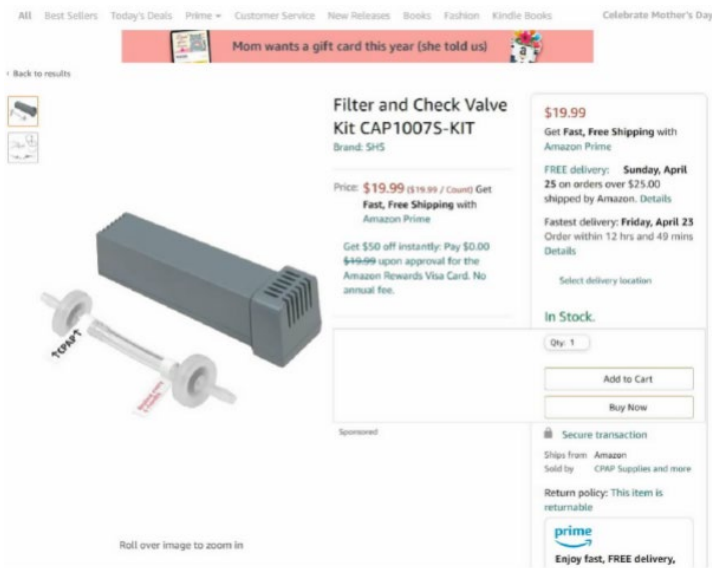
<sup>800</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284 (D. Mass. 2021), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>801</sup> *Id.* at 293.





Although finding that the defendant's distinguishable packaging rendered confusion among consumers shopping at brick-and-mortar stores unlikely, the court reached the opposite conclusion where the defendant's online sales were concerned. In particular, it noted that presentations on the Internet such as the following failed to identify the origin of the defendant's as effectively as the defendant's packaging:<sup>802</sup>



In light of the directly competitive nature of the parties' relationship, the doctrinal likelihood-of-confusion factors predictably stacked up in the plaintiff's favor. Those included the similarity of the parties' goods,<sup>803</sup> the overlap between their channels of trade, advertising, and classes of purchasers,<sup>804</sup> and,

<sup>802</sup> *Id.* at 304.

<sup>803</sup> *Id.* at 302–03.

<sup>804</sup> *Id.* at 305.

perhaps most significantly, at least “some evidence” in the preliminary injunction record suggesting that “[the defendant] not only intentionally copied the successful features of [the plaintiff’s] filter so that it might sell an equally effective competing filter, but also that [the defendant] was intentionally attempting to confuse the consumer as to the source of the goods.”<sup>805</sup> The plaintiff’s mark may have been commercially weak,<sup>806</sup> and there was an absence of actual confusion between the parties’ marks,<sup>807</sup> but those considerations did not affect the plaintiff’s entitlement to a preliminary injunction.

### **(ii) Opinions Finding Confusion Likely as a Matter of Law**

The sole reported opinion to reach a finding of likely confusion as a matter of law did so on a summary judgment record that left little doubt on the issue.<sup>808</sup> The plaintiff owned the unregistered MOON SEED service mark for the sale of corn seeds and soybean seeds to farmers, while the lead defendant was a former salesperson for the plaintiff who had established a competing business (also named as a defendant) after leaving the plaintiff; that business adopted the MOON SEED SERVICE mark, allegedly to honor Dennis Moon, the plaintiff’s founder. In the predictable lawsuit that followed, the court not surprisingly granted the plaintiff’s motion for summary judgment while denying the defendant’s cross-motion. The secondary meaning of the plaintiff’s mark established the mark’s strength,<sup>809</sup> and the undisputed facts of the similarity of the parties’ marks,<sup>810</sup> the competitive proximity of the parties’ services,<sup>811</sup> the defendants’ intentional failure to differentiate themselves from the plaintiff,<sup>812</sup> and the lack of sophistication of the parties’ customers when it came to seed vendors (as opposed to the seeds themselves)<sup>813</sup> tipped the scales in the plaintiff’s favor. The defendants weakly argued that confusion was unlikely because the parties’ customers relied more on their relationships with sales personnel than on brands of seeds, but the court concluded to the contrary that “[t]here is nothing in the record indicating customers

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<sup>805</sup> *Id.* at 305–06.

<sup>806</sup> *Id.* at 306.

<sup>807</sup> *Id.*

<sup>808</sup> *See Moon Seed LLC v. Weidner*, 604 F. Supp. 3d 780 (S.D. Iowa 2022), *appeal dismissed*, No. 22-2228, 2022 WL 17491649 (8th Cir. Jul. 14, 2022).

<sup>809</sup> *Id.* at 791.

<sup>810</sup> *Id.*

<sup>811</sup> *Id.* at 792.

<sup>812</sup> *Id.* at 792–93.

<sup>813</sup> *Id.* at 794–95.

exercise a significant degree of care in purchasing from a particular vendor.”<sup>814</sup>

### (iii) Opinions Finding Confusion Likely After Trial

The D.C. Circuit affirmed a jury verdict of liability in a rare trial of infringement claims in that jurisdiction.<sup>815</sup> The prevailing counterclaim plaintiff in the appeal leading to that outcome used its JUDICIAL WATCH and BECAUSE NO ONE IS ABOVE THE LAW marks in connection with government watchdog services, while the counterclaim defendant, who had founded the counterclaim plaintiff and served as its principal for years before his acrimonious departure from it, used the same marks in connection with fundraising solicitations not for the counterclaim plaintiff’s benefit. On appeal from his loss at trial, the counterclaim defendant argued that the district court had erred by failing to instruct the jury that confusion must be likely among an “appreciable number” of consumers, but that contention failed to gain traction with the appellate court. That tribunal instead held that “[n]either our sister circuits nor [a] model [jury] instruction [relied upon by the district court] mention the number of consumers likely to be confused. No instruction on the number of consumers was required for the district court to fairly present the applicable legal principles on the confusion element.”<sup>816</sup> The jury’s finding of likely confusion therefore withstood appellate scrutiny.

The same result held in an appeal to the Sixth Circuit, in which a former licensee of the plaintiff challenged a jury’s finding that it had infringed the MAX RACK mark for an exercise machine.<sup>817</sup> The plaintiff’s victory turned not on a demonstration that the defendant’s FREEDOM RACK for competitive goods created likely confusion, but instead that the defendant had continued to use the plaintiff’s mark following the termination of a distribution agreement between the parties. Citing the defendant’s concession of post-termination sales of MAX RACK-branded machines manufactured during the agreement, the court held:

[T]rademark infringement exists if a holdover licensee continues to use a licensor’s mark on its goods without authorization. Most notably, [the defendant] admits that it sold 24 Max Racks outside the six-month window that the agreement gave it to liquidate inventory. These unauthorized sales alone supported the jury’s finding that

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<sup>814</sup> *Id.* at 795.

<sup>815</sup> *See* Klayman v. Jud. Watch, Inc., 6 F.4th 1301 (D.C. Cir. 2021), *cert. denied*, 142 S. Ct. 2731 (2022), *rehearing denied*, 143 S. Ct. 57 (2022).

<sup>816</sup> *Id.* at 1319.

<sup>817</sup> *See* Max Rack, Inc. v. Core Health & Fitness, LLC, 40 F.4th 454 (6th Cir. 2022), *reh’g denied*, No. 20-3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022).

[the defendant] intentionally infringed the Max Rack mark by leading the public “to think that the continuing user [the defendant] is still connected with the trademark owner [the plaintiff].”<sup>818</sup>

That was not the only support for the jury’s finding of liability with respect to the defendant’s sales of machines bearing the plaintiff’s mark, however, for the trial record also contained evidence and testimony that the defendant had actually continued to manufacture new machines to which it affixed that mark; “any sales of later-produced Max Racks,” the court held, “would have violated the agreement and so likewise infringed [the plaintiff’s] trademark.”<sup>819</sup>

Separate and independent of those bases for liability, the court also sustained the jury’s verdict based on the plaintiff’s showing at trial that the defendants had continued to use the plaintiff’s mark to promote sales of the defendant’s machines even after they no longer used the mark on those machines. That use took the form of several appearances on the defendant’s website, which, even if accidental or harmless, still could have rendered confusion unlikely. As the court explained, “[a] consumer who saw the references would come away thinking that the Freedom Racks producer was affiliated with the Max Rack’s owner, not that they were potentially competing against each other.”<sup>820</sup> The jury’s finding of liability therefore survived the defendant’s attack on appeal.

#### **(iv) Opinions Finding Confusion Unlikely on Motions for Preliminary Injunctive Relief**

Marks with identical dominant components and used in connection with closely similar goods or services usually lead to findings of likely confusion, but that outcome did not transpire in a dispute between restauranteurs.<sup>821</sup> The plaintiff’s registered mark, shown below on the left, was used in connection with “a group of sit-down restaurants, cafés, and coffee shops,” while the defendants used their mark, shown below on the right, in connection with fast-food restaurants specializing in Korean corn dogs:<sup>822</sup>

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<sup>818</sup> *Id.* at 464 (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:31 (5th ed.)).

<sup>819</sup> *Id.* at 465.

<sup>820</sup> *Id.* at 468.

<sup>821</sup> *See Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290 (S.D.N.Y. 2021).

<sup>822</sup> *Id.* at 297.



A primary obstacle to the client's request for a preliminary injunction was the commercial weakness of its suggestive mark, which the New York federal district court hearing the case evaluated by applying the Second Circuit's test for secondary meaning.<sup>823</sup> By the same token, the geographic proximity of at least some of the parties' locations was outweighed by the differing services provided under the marks in question: "the plaintiff's restaurants are sit-down venues and are more upscale as compared to the defendants' small fast-food stores that lack seating";<sup>824</sup> moreover, they served differing fare.<sup>825</sup> The plaintiff's proffered evidence of actual confusion, consisting of mistaken social media reviews of the parties' restaurants, was similarly unconvincing because it failed to reflect mistaken purchasing decisions by consumers, as were its claims the defendants had acted in bad faith. The plaintiff successfully argued that the verbal components of the parties' marks were similar (although the court found their design components distinguishable), but its victory in that minor battle did not extend to the overall war, and the court therefore declined to enter the requested preliminary injunctive relief.<sup>826</sup>

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<sup>823</sup> On that issue, the court held that:

Suggestive marks, such as the one here, are inherently distinctive. The burden is on the plaintiff to prove such market distinctiveness with reference to this circuit's well-established secondary meaning factors: (1) advertising and promotional expenses; (2) consumer studies linking the mark to the source; (3) unsolicited media coverage of the product; (4) sales success; (5) attempts to plagiarize the mark; and (6) length and exclusivity of the mark's use.

*Id.* at 303 (citations omitted). The plaintiff fared poorly under these factors because it failed to document its promotional spend, it had not invested in a survey, it had used its mark only since 2014, and that use had not been substantially exclusive. Although its restaurants had received favorable press coverage and enjoyed financial success, the court found that "on balance, the plaintiff has not shown distinctiveness in the marketplace. The 'strength' factor is, thus, at best neutral for the plaintiff." *Id.* at 304.

<sup>824</sup> *Id.* at 305.

<sup>825</sup> *Id.* at 305–06 ("The food served at each restaurant is also different, with the plaintiff serving such items as acai bowls, house-made breakfast tacos, toasted local sourdough toasts, grass-fed hamburgers, and smoothies, and the defendants serving only corn dogs.").

<sup>826</sup> *Id.* at 308.

Another motion for an interlocutory injunction to fall short—at least in part—did so in the context of a trade dress lawsuit between competing manufacturers of a filter used in devices to disinfect CPAP machines.<sup>827</sup> The defendant did not dispute that the configurations of the parties' filters were identical, and that led the court to find confusion likely to arise from the online promotion of the defendant's filters outside of their packaging. Nevertheless, the court found the defendant's packaging, shown in the bottom row below, to be distinguishable from that of the plaintiff, shown below in the top row:



In finding confusion unlikely in the in-store context, the court observed that “consumers have the benefit of . . . product packaging which allows consumers to rely on the product packaging and the trademarks on that packaging to differentiate a [plaintiff’s] filter and a [defendant’s] filter.”<sup>828</sup> “While the product packaging does not

<sup>827</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284 (D. Mass. 2021), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>828</sup> *Id.* at 303.

create a stark contrast between the two products,” it concluded, “the differences are sufficient to suggest that a reasonably prudent consumer would not be confused between the two . . . .”<sup>829</sup>

**(v) Opinions Finding Confusion Unlikely  
as a Matter of Law**

A number of courts found confusion unlikely as a matter of law, including at the appellate level. One was the Ninth Circuit, which did so in an opinion affirming the entry of summary judgment of noninfringement below and clarifying the test for reverse confusion in that jurisdiction.<sup>830</sup> The plaintiff in that case asserted rights to the UNTAMED mark in connection with Irish whiskey and rum, which it claimed was infringed by the use of the words “BACARDI UNTAMEABLE SINCE 1862” in advertisements for the defendants’ rum, of which the following was representative:



Because the plaintiff’s claim of infringement sounded in reverse confusion, the court led off its analysis by observing that “[i]n reverse confusion cases, we compare ‘the conceptual strength of [the plaintiff’s] mark[] . . . to the commercial strength of [the defendant’s] mark.’”<sup>831</sup> With the court determining that the plaintiff’s UNTAMED mark was suggestive and that the commercial strength of the defendants’ use was “overwhelming,” the mark-strength factor favored the plaintiff,<sup>832</sup> as did the defendants’ awareness of the plaintiff’s use before launching their campaign,<sup>833</sup>

<sup>829</sup> *Id.*

<sup>830</sup> *See* Lodestar Anstalt v. Bacardi & Co., 31 F.4th 1228 (9th Cir.), *cert. denied*, 143 S. Ct. 428 (2022).

<sup>831</sup> *Id.* at 1258 (second, third, fourth, and fifth alterations in original) (quoting *JL Beverage Co. v. Jim Beam Brands Co.*, 828 F.3d 1098, 1107 (9th Cir. 2016)).

<sup>832</sup> *Id.* at 1260.

<sup>833</sup> *Id.* at 1260–61. The court did hold that awareness mitigated by the defendants’ determination that the plaintiff had not used its mark in connection with rum for several years before undertaking its alleged infringement. *Id.* at 1261.

and the competitive proximity of the parties' goods.<sup>834</sup> Those considerations might well have produced a factual dispute regarding the likelihood of confusion between the parties' respective uses. Nevertheless, the court held them outweighed by the presence of the BACARDI mark and bat logo in the defendants' advertising,<sup>835</sup> the absence of actual confusion,<sup>836</sup> the defendants' use of promotional media the defendants did not use,<sup>837</sup> and the lack of the prominence with which the plaintiff displayed its mark on the rear labels of its bottles.<sup>838</sup>

The Ninth Circuit was not the only federal appellate court to find confusion unlikely as a matter of law. Neither claim nor issue preclusion applied, but one plaintiff's loss in a previous case before the Fifth Circuit<sup>839</sup> led to a second loss at the hands of the same court in later litigation arising from similar facts.<sup>840</sup> The plaintiff asserted rights to the READ A MILLION WORDS, MILLION DOLLAR READER, MILLIONAIRE READER, and MILLIONAIRE'S READING CLUB marks, which it used in connection with programs to incentivize schoolchildren to read books. The plaintiff objected to the use by the defendant, a Texas public school system, of the defendant's own monetary-themed incentive-based literacy program, but it failed to allege that the defendant marketed that program to the school districts comprising the plaintiff's targeted customers. Having concluded in the first case that confusion was unlikely as a matter of law between the plaintiff's marks and the use of the HOUSTON ISD MILLIONAIRE CLUB mark by another Texas school district, the court affirmed the district court's entry of summary judgment of noninfringement. It did so not by relying on a factor-by-factor application of the usual doctrinal test for likely confusion but instead because of its conclusion that "the practical effect of any conceivable confusion on the sophisticated school districts to which [the plaintiff] markets its products is at most exceedingly remote."<sup>841</sup> "Indeed," it observed, "worlds apart from an unwitting shopper expecting Coca-Cola but finding instead an inferior beverage in the red can she brought home from the store, [the defendant's] most brazen use of [the plaintiff's] marks could place [the plaintiff's] institutional customers at little

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<sup>834</sup> *Id.*

<sup>835</sup> *Id.* at 1260.

<sup>836</sup> *Id.* at 1261.

<sup>837</sup> *Id.*

<sup>838</sup> *Id.*

<sup>839</sup> *See* Springboards To Educ., Inc. v. Houst. Indep. Sch. Dist., 912 F.3d 805 (5th Cir. 2019), *as revised* (Jan. 29, 2019), *as revised* (Feb. 14, 2019).

<sup>840</sup> *See* Springboards to Educ., Inc. v. Pharr-San Juan-Alamo Indep. Sch. Dist., 33 F.4th 747 (5th Cir. 2022).

<sup>841</sup> *Id.* at 750.



risk of confusion at most.”<sup>842</sup> The plaintiff attempted to distinguish the “functionally identical” earlier case<sup>843</sup> by invoking minor differences between the two,<sup>844</sup> but the court held that “[o]ne decisive fact remains all the same: sophisticated school-district customers can tell the difference between goods [the plaintiff] is selling them and goods and slogans [the defendant] is not.”<sup>845</sup>

Some defense victories on motions for summary judgment did not produce appellate opinions. For example, a New York federal district court granted a defense motion for summary judgment in a challenge brought by the Girl Scouts of the United States of America to the use by the Boy Scouts of America of the SCOUT ME IN and SCOUTS BSA marks, as well the words “scout,” “scouts,” and “scouting” after the Boy Scouts opened their membership and programs to boys and girls alike.<sup>846</sup> With the court having disposed of the claim by the Girl Scouts to own proprietary rights to those three words, the court compared them to the GIRL SCOUTS mark. Although that mark was a strong one, its strength did not extend to its “scout” component standing alone, especially in light of “significant evidence, undisputed by Girl Scouts, that Girl Scout brand guidelines consistently use GIRL SCOUT rather than SCOUT alone.”<sup>847</sup> The court then found that the mark-similarity factor favored the Boy Scouts, both because they did not use the word “girl” and because “Boy Scouts consistently accompanies use of the [challenged marks and terms] with other brand indicia, such as its fleur-de-lis emblem, Cub Scout logo, Boy Scout logo, and the full name Boy Scouts of America.”<sup>848</sup> Noting that the Girl Scouts did not plan to admit boys, the court found it unlikely that the parties would bridge the gap between themselves, a factor that also favored

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<sup>842</sup> *Id.* (footnote omitted).

<sup>843</sup> *Id.* at 749.

<sup>844</sup> *See id.* at 751 (“[The plaintiff] contends that the Houston school district [in the earlier case] had just one summer reading program whereas [the defendant] has had several year-long reading programs, that the requirements of [the defendant’s] reading program are identical—and not merely similar—to the requirements of [the plaintiff’s] model program, and that [the plaintiff’s] founder . . . ‘worked his entire career in education in Hidalgo County where [the defendant] is located and visited the schools, teachers and administrators at [the defendant]—unlike the district in Houston that is over 300 miles away.’”).

<sup>845</sup> *Id.*

<sup>846</sup> *See* Girl Scouts of the United States of Am. v. Boy Scouts of Am., 597 F. Supp. 3d 581 (S.D.N.Y. 2022).

<sup>847</sup> *Id.* at 599.

<sup>848</sup> *Id.*

the Boy Scouts.<sup>849</sup> A final consideration favoring the Boy Scouts was their good faith in using the challenged marks and terms.<sup>850</sup>

Unfortunately for the Girl Scouts, the court also found that none of the relevant factors favored a finding of likely confusion. With respect to actual confusion, the Girl Scouts proffered evidence of “anecdotal and isolated” instances, but none of it was linked to the use by the Boy Scouts of the challenged terms—indeed, “[a] September 2017 consumer perception study commissioned by Girl Scouts found that 48% of respondents did not know that Boy Scouts and Girl Scouts were separate organizations, even before the Boy Scouts announced it would admit girls.”<sup>851</sup> That factor favored neither party, as did the competitive proximity of the parties’ services,<sup>852</sup> the quality of the services provided by the Boy Scouts,<sup>853</sup> and consumer sophistication.<sup>854</sup> All things considered, confusion was unlikely as a matter of law.<sup>855</sup>

Another New York federal district court made short work of a claim that the graphics on the juice package shown below on the left had been infringed by the packaging shown below on the right:<sup>856</sup>

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<sup>849</sup> *Id.* at 601 (“Girl Scouts argues that there is not truly any gap to bridge because its services are already in direct competition with those of Boy Scouts. Even if the relevant gap between Girl Scouts and Boy Scouts is small, it is undisputed that there remains a gap: Boy Scouts is co-ed and Girl Scouts is not. This factor weighs in favor of Boy Scouts.” (citation omitted)).

<sup>850</sup> With respect to this factor, the court found it undisputed that:

The Boy Scouts adopted the Scout Terms to describe accurately the co-ed nature of programming, not to confuse or exploit Girl Scouts’ reputation. Such branding is consistent with the scout-formative branding Boy Scouts has used for a century, including in its co-ed programs that have existed since the 1970s. The Scout Terms the Boy Scouts use are descriptive of their programs, just as Girl Scouts’ use of the word “scouts” is descriptive of its programs. The Boy Scouts’ decision to become co-ed, even if it affects Girl Scouts’ operations, does not demonstrate bad faith.

*Id.* at 602 (citation omitted).

<sup>851</sup> *Id.* at 601.

<sup>852</sup> *Id.* at 600 (“Although there exists some overlap between Girl Scouts and Boy Scouts, the fundamental nature of each organization’s services remains distinct. Nothing bars Girl Scouts from opening its doors to boys, but it has declined to do so.”).

<sup>853</sup> *Id.* at 602.

<sup>854</sup> *Id.* at 603 (“On balance . . . the parties agree that typical parents are careful when selecting what programs their children will join.”).

<sup>855</sup> *Id.*

<sup>856</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 109, 190 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).



The court credited the plaintiffs' showings that its trade dress enjoyed at least some commercial strength, that the beverages at issue were competitive, and that consumers of them were not necessarily sophisticated, all of which might have created a factual dispute regarding likely confusion.<sup>857</sup>

The plaintiff could not, however, overcome the court's views on the alleged similarity between the packages themselves. "To be sure," the court noted, "at a high level of generality, [the defendant's packaging] arranges elements in the same sequence—brand name at the top, images of fruits in the middle, and the name of the flavor at the bottom—as does [the plaintiff's packaging]. But the totality of 'all . . . elements' does not create the same[ ]—or even similar—'total impression.'"<sup>858</sup> Nevertheless, the packages were distinguishable in myriad ways, including but not limited to the differing word marks affixed to them, their nonidentical background colors, the plaintiff's depiction of fruit splashing in water versus the defendant's presentation of fruit against a "blotch of color," varying flavor specifications, and the presence and absence of banners and organic certification by the United States Department of

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<sup>857</sup> *Id.* at 190.

<sup>858</sup> *Id.* (quoting *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 1001 (2d Cir. 1997)).

Agriculture.<sup>859</sup> Without evidence of either actual confusion<sup>860</sup> or bad faith,<sup>861</sup> summary judgment of nonliability was appropriate.<sup>862</sup>

Finally, in another case producing a finding of unlikely confusion as a matter of law, the Arizona Board of Regents learned the hard way that a defendant's failure to defend itself in a lawsuit does not guarantee a victory by the plaintiff.<sup>863</sup> The court looked askance at the “deeply unsympathetic” defendant, who had

posted a series of vulgarity-filled messages on Instagram in an attempt to persuade college students [at Arizona State University] to attend maskless COVID-19 parties during the peak of the first wave of the pandemic, whose answer was stricken for litigation misconduct, who stopped participating in this action after his answer was stricken, and whose identi[t]y was never discovered during subsequent proceedings.<sup>864</sup>

As reflected in the following graphic, one of the defendant's postings included ASU's maroon and gold colors:<sup>865</sup>



<sup>859</sup> *Id.* at 191.

<sup>860</sup> On the subject of actual confusion, the court credited survey evidence proffered by the defendant while dismissing the plaintiff's anecdotal evidence of allegedly mistaken associations between the parties' packaging. *Id.* at 169–72.

<sup>861</sup> Although the plaintiff accused the defendant of having copied the plaintiff's packaging in bad faith, its direct evidence on that point was limited to an e-mail produced by the defendant referring to a planned “slight[ ]” change to the configuration of the plaintiff's package when designing its own. *Id.* at 191. “But that email,” the court found, “is silent as to any intent or effort to mimic the labeling, graphics, or design of [the plaintiff's package].” *Id.*

<sup>862</sup> *Id.* at 192.

<sup>863</sup> *See* *Ariz. Bd. of Regents v. Doe*, 555 F. Supp. 3d 805 (D. Ariz. 2021), *aff'd*, No. 21-16525, 2022 WL 1514649 (9th Cir. May 13, 2022).

<sup>864</sup> *Id.* at 809.

<sup>865</sup> *Id.* at 811.

The defendant's postings also characterized COVID-19 as a hoax, unfavorably compared ASU to "USSR, Nazi Germany, North Korea, China or Venezuela, etc [sic],"<sup>866</sup> and referred to ASU president Michael Crow as "Führer Crow."<sup>867</sup>

Although the defendant failed to participate in the action after the court struck his answer, the court declined to grant the plaintiff's ensuing motion for a default judgment. For one thing, the court found from the averments in the complaint, "it cannot be the case that every social media post written by a college student that happens to use the school's colors and/or logo in the post, and identifies the school's location as the location of the poster, creates initial interest confusion and qualifies as an actionable trademark violation."<sup>868</sup> And, for another, "[m]any things can be said about [the defendant's] offensive and outrageous statements, but it is not plausible (to put it mildly) that a reasonably prudent consumer would believe ASU was the source or origin of them."<sup>869</sup> The court therefore dismissed the plaintiff's likelihood-of-confusion-based claims on the theory that "it would be pointless to deny the default judgment motion but then allow those claims to linger on the Court's docket."<sup>870</sup>

#### (vi) Opinions Finding Confusion Unlikely After Trial

Courts typically address claims of infringement arising from the sale or alteration of genuine goods under rubrics other than the standard multifactor test for likely confusion, but the Second Circuit declined to criticize a district court's partial reliance on that test in an appeal from a finding of nonliability following a bench trial.<sup>871</sup> The plaintiff's predecessor had for years manufactured and sold pocket watches under the HAMILTON mark, some of which the defendants acquired, refurbished, and repurposed as wristwatches without removing the plaintiff's mark. After affirming the district court's finding that the defendants had adequately disclosed their alterations of the watches, the court of appeals also declined to disturb the concomitant finding below that confusion was unlikely under the *Polaroid* factors. "In light of its determination that [the lead defendant] provided full disclosure [of alterations]," the court observed, "the District Court found three *Polaroid* factors to be particularly significant in this case: actual confusion, the defendant's good faith in adopting the mark, and the product's

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<sup>866</sup> *Id.* at 813.

<sup>867</sup> *Id.*

<sup>868</sup> *Id.* at 819.

<sup>869</sup> *Id.* at 817.

<sup>870</sup> *Id.*

<sup>871</sup> *See Hamilton Int'l Ltd. v. Vortic LLC*, 13 F.4th 264 (2d Cir. 2021).

customer base.”<sup>872</sup> It affirmed the district court’s determination that the plaintiff had not proven actual confusion, citing the plaintiff’s failure to authenticate an exhibit purporting to document its existence; it also declined to disturb the district court’s findings that the defendants had not acted in bad faith, even though they had discontinued their conduct in response to a demand letter from the plaintiff, and that potential purchasers of the defendants’ watches were sophisticated.<sup>873</sup> That left the “less relevant” factors, as to which the district court had not erred by finding that the parties’ uses were distinguishable in light of the context in which the plaintiff’s mark appeared on the defendants’ watches,<sup>874</sup> that the parties’ goods were not competitive in light of the plaintiff’s absence from the market for antique or refurbished watches and its lack of an intent to enter that market,<sup>875</sup> and that the defendants’ watches were not of inferior quality.<sup>876</sup> The plaintiff’s mark might have been relatively strong,<sup>877</sup> but that consideration did not warrant reversal of the district court’s finding of nonliability.

A finding of nonliability similarly resulted from a bench trial before a federal district court entertaining a claim that the appearance of the energy-drink cans in the first row below was infringed by the appearance of the cans in the second row:<sup>878</sup>



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<sup>872</sup> *Id.* at 277.  
<sup>873</sup> *Id.*  
<sup>874</sup> *Id.* at 278.  
<sup>875</sup> *Id.* at 278–79.  
<sup>876</sup> *Id.* at 279.  
<sup>877</sup> *Id.* at 278.  
<sup>878</sup> See *Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180, 1194 (S.D. Fla. 2021).

The plaintiff got off to a rocky start under the mark-strength factor in light of the court's findings that the plaintiff's claimed trade dress was neither inherently distinctive nor had acquired distinctiveness; worse still, the market was replete with similar third-party uses, and the plaintiff's claimed trade dress had only been used for five years and in an inconsistent manner.<sup>879</sup> Things did not get any better for the plaintiff where the similarities of the parties' cans were concerned, for the court found on that issue that, "although there are some similarities between the two designs, those similarities are not source-identifying, and the products' differences are both stark and prominent."<sup>880</sup> So too did the court credit the defendant's showing that its lengthy design process disposed of the plaintiff's accusation of intentional copying, finding in the process that "[t]he trial evidence showed that [the defendant] sought to create an iconic product that would dominate—and be easily distinguishable from—other energy drinks on the market. The evidence, in other words, was simply inconsistent with [the plaintiff's] unfounded accusation of bad intentions."<sup>881</sup> As a final consideration favoring a finding of noninfringement, the court rejected the plaintiff's showings of anecdotal confusion,<sup>882</sup> as well as its survey evidence allegedly to similar effect.<sup>883</sup> The plaintiff may

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<sup>879</sup> *Id.* at 1262–64.

<sup>880</sup> *Id.* at 1266. The court elaborated on this point with the following observation:

[T]he differences between the two labels are stark—even on a momentary glance. Starting with the obvious, both drinks prominently display their names and logos, and [the defendant's] name and spartan logo look and sound nothing like [the plaintiff's] name and "b" logo. In a crowded field of energy drinks with black backgrounds and vibrant color combinations, we think it reasonable to presume that consumers rely primarily on brand names and logos to differentiate their options. Indeed, [the plaintiff's] own witnesses conceded that [the plaintiff's] logo and name are the most prominent aspects of its trade dress. . . . There are, on top of all that, several other salient differences between the cans: The color sequences are different; the fonts are not at all the same; the flavor names bear only minimal resemblance; and, while [the plaintiff's] background is smooth and glossy, [the defendant's] is rough and textured. Indeed, when we move beyond the defined trade dress—when we consider, for instance, [the plaintiff's] colored rim and U-shaped carveout, neither of which appear on the [defendant's] can—we find even more support for our conclusion that consumers, faced with a market full of black drinks with vibrant logos, are able to easily distinguish between the [parties'] cans.

*Id.* at 1265 (footnote omitted) (citations omitted).

<sup>881</sup> *Id.* at 1270.

<sup>882</sup> The court rejected the plaintiff's showing on this point not only because the two allegedly confused witnesses put forward by the plaintiff suffered from that condition for reasons other than the similarity between the parties' cans, *id.* at 1226–27, 1258–59, and because, in any case, any confusion their testimony did reflect was de minimis in light of the high volume of sales by both parties. *Id.* at 1259.

<sup>883</sup> Among other deficiencies, the plaintiff's survey expert had failed to use a control and also presented the parties' goods in "a computer-generated cooler" with little relationship to how those goods appeared in the marketplace. *Id.* at 1229–34.

have carried the day with respect to the competitive proximity of the parties' goods, similarities of the parties' trade channels, customers, and advertising media,<sup>884</sup> but those considerations did not outweigh the evidence and testimony favoring the defendant.<sup>885</sup>

A bench finding of nonliability also transpired when a seller of lightweight women's shoes under the TRAVELTIME mark sued a direct competitor using the COMMUTE TIME mark.<sup>886</sup> The plaintiff benefitted from the conceptual strength of its suggestive mark, but its inability to prove the mark's commercial strength prior to the defendant's date of first use greatly weakened that initial showing.<sup>887</sup> The plaintiff also failed to convince the court that the marks themselves were confusingly similar, because "the marks do not look the same, especially when compared in the context of how they appear to the consumer, as is appropriate in analyzing their similarity. TRAVELTIME is one word; Commute Time is two. TRAVELTIME generally appears in all capital letters; Commute Time does not."<sup>888</sup> Citing distinguishable elements of the shoes themselves, the court additionally found that "[t]he evidence of [the defendant's] intent to compete, which, while it does not cast [the defendant's] CEO [who had ordered the adoption of the challenged mark] in the most positive of lights, does not demonstrate an intent to deceive consumers."<sup>889</sup> If that were not enough, the trial record lacked anecdotal evidence of actual confusion, while the defendant adduced convincing results from a survey indicating a net 0.0% confusion rate among respondents,<sup>890</sup> and, as the court found, "the price points of the shoes are sufficiently high to indicate that these are thoughtful purchases, even though they are by no means high-end luxury investments."<sup>891</sup> Weighed against these findings, the

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<sup>884</sup> *Id.* at 1269.

<sup>885</sup> *Id.* at 1274.

<sup>886</sup> *See Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185 (S.D.N.Y. 2021).

<sup>887</sup> The court teed up its discussion of commercial strength by equating it with acquired distinctiveness and holding:

Sometimes called "secondary meaning," acquired distinctiveness is determined by analyzing six factors: advertising expenditures, consumer studies linking the mark to a source, unsolicited media coverage of the product, sales success, attempts to plagiarize the mark, and the length and exclusivity of the mark's use. No single factor is dispositive and not all are required to establish secondary meaning.

*Id.* at 202 (citation omitted). With the exception of sales success, each of these factors weighed against the plaintiff's claim of commercial strength. *See id.* at 201–05.

<sup>888</sup> *Id.* at 206.

<sup>889</sup> *Id.* at 214.

<sup>890</sup> *Id.* at 207–09.

<sup>891</sup> *Id.* at 213.



competitive proximity of the parties' goods could not make up for the deficiencies in the plaintiff's case.<sup>892</sup>

**(vii) Opinions Deferring Resolution of the  
Likelihood-of-Confusion Inquiry**

The defense strategy of moving to dismiss allegations of likely confusion for failure to state claims is not one with a track record of success. Consistent with that general rule, one court denied such a motion in a case in which the counterclaim plaintiffs accused the counterclaim defendant of having purchased the counterclaim plaintiffs' KIDMOTO mark as a keyword for paid online advertising for the counterclaim defendant's directly competitive KID KAR-branded transportation services.<sup>893</sup> The court acknowledged that "[u]nder the Lanham Act, '[v]irtually no court has held that, on its own, a defendant's purchase of a plaintiff's mark as a keyword term is sufficient for liability.'"<sup>894</sup> Nevertheless, it noted, the likelihood-of-confusion-based counterclaims at issue asserted more than just that conduct; instead, they averred that an advertisement triggered by the keyword had featured the counterclaim defendants' mark. In light of the directly competitive nature of the parties' services, together with the counterclaim plaintiffs' additional averment of actual confusion, the counterclaim plaintiffs' case survived to the discovery stage of the action.<sup>895</sup>

Another failed motion to dismiss transpired when the owners of the rights to television's EMMY award objected to the use in a video by a defendant trafficking "in wild conspiracy theories" of a "Crony Award" statuette conspicuously similar to the plaintiff's Emmy statuette except with a depiction of a COVID-19 virus substituted for the globe in the original.<sup>896</sup>

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<sup>892</sup> *Id.* at 214.

<sup>893</sup> *See* Kid Car NY, LLC v. Kidmoto Techs. LLC, 518 F. Supp. 3d 740 (S.D.N.Y. 2021).

<sup>894</sup> *Id.* at 759 (second alteration in original) (quoting Alzheimer's Disease & Related Disorders Ass'n, Inc. v. Alzheimer's Found. of Am., Inc., 307 F. Supp. 3d 260, 287 (S.D.N.Y. 2018)).

<sup>895</sup> *Id.* at 760.

<sup>896</sup> *See* Nat'l Acad. of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc., 551 F. Supp. 3d 408, 418, 419 (S.D.N.Y. 2021).



The court was markedly unsympathetic to the defendant and its video, which the court described as “honoring countries that downplayed the seriousness of the COVID-19 pandemic,”<sup>897</sup> and it therefore declined the defendant’s invitation to reach a finding of unlikely confusion as a matter of law on a motion to dismiss. The defendant did not do itself any favors by conceding the validity and strength of the plaintiffs’ mark,<sup>898</sup> but those were not the only considerations favoring a denial of the motion. Another was the near-identity of the plaintiffs’ statuette to that of the defendant, the latter of which the court found depicted “the same winged figure holding a globe-shaped object in the same dimensions, proportions, and colors.”<sup>899</sup> So too did the alleged facts that the plaintiff hosted an award show while the defendant’s video referenced its “Crony Awards” suggest at least some competitive proximity between the parties’ goods and services.<sup>900</sup> Additional considerations favoring liability were the defendant’s bad-faith copying of the plaintiffs’ statuette<sup>901</sup> and the possible lack of consumer sophistication.<sup>902</sup> Although the complaint did not allege the plaintiffs’ intent to bridge the gap between the parties’ respective goods and services (which favored the defendant)<sup>903</sup> or that the defendant’s goods or services were lower in quality vis-à-vis those of the plaintiff (which the court treated as a neutral consideration),<sup>904</sup> those omissions did not

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<sup>897</sup> *Id.* at 417.

<sup>898</sup> *Id.* at 427.

<sup>899</sup> *Id.*

<sup>900</sup> *Id.* at 428.

<sup>901</sup> *Id.* at 428–29.

<sup>902</sup> *Id.* at 429.

<sup>903</sup> *Id.* at 428.

<sup>904</sup> *Id.* at 429.

mandate the dismissal of the plaintiffs' allegations of likely confusion.

The motion-to-dismiss strategy failed yet again when pursued by a defendant that had registered the dejavushowgirls.com domain name and then found itself accused of infringement by the claimed owner of a family of DE JA VU marks for burlesque shows and bar services and of the dejavu.com domain name.<sup>905</sup> The plaintiff's complaint recited that the website accessible at the defendant's domain name was "configured to display pay-per-click advertisements to visitors when those visitors were actually seeking the dejavu.com website"<sup>906</sup> and that those advertisements were for adult-entertainment sites "such as Love Honey and Mature-Qualitysingles."<sup>907</sup> When combined with the plaintiff's allegations of mark strength, mark similarity, and a permissible inference of bad-faith conduct by the defendant, the court found those allegations sufficient to state a claim for infringement.<sup>908</sup>

A final notable failed motion to dismiss an accusation of infringement at the pleadings stage came in a case in which the court concluded that the plaintiffs' complaint included allegations bearing on "several indicia of likelihood of confusion, such as strength of the [plaintiffs'] Mark, similarity of the parties' marks, similarity of products, and [the defendant's] knowing and intentional encroachment and use of confusingly similar marks."<sup>909</sup> Despite those allegations, the defendant argued that the complaint's references to "athletic-style apparel and footwear" failed to apprise it of the precise nature of the claims against it.<sup>910</sup> Noting that "[t]he Complaint provides photographic examples of at least fifteen different pieces of clothing from [the defendant's] athletic wear line that are alleged to be infringing,"<sup>911</sup> the court held to the contrary that "[a] plaintiff is not required at the pleading stage to identify every specific allegedly infringing product or more clearly defined product types."<sup>912</sup> The plaintiffs therefore had adequately stated claims based on the existence of likely confusion.

Some appellate courts similarly did not reach final dispositions of the claims of likely confusion before them, but instead ordered the deferral of those dispositions until trial, including in appeals from

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<sup>905</sup> See *Glob. Licensing, Inc. v. Namefind LLC*, 582 F. Supp. 3d 467 (E.D. Mich. 2022).

<sup>906</sup> *Id.* at 484.

<sup>907</sup> *Id.*

<sup>908</sup> *Id.* at 485.

<sup>909</sup> See *adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151, 160 (S.D.N.Y. 2022).

<sup>910</sup> *Id.*

<sup>911</sup> *Id.*

<sup>912</sup> *Id.*

the grants of motions for summary judgment on the issue.<sup>913</sup> One such court was the Eleventh Circuit, which vacated the grant of a defense motion in a case challenging Amazon’s use of the FIRETV mark in connection with a “streaming-only set-top box”; that use was frequently accompanied by the AMAZON housemark but sometimes not.<sup>914</sup> The plaintiff bringing that challenge was the prior user of the FYRETV mark for on-demand adult video service accessible in part through a set-top box branded with the FYREBOXXX mark. Representative examples of the parties’ respective uses appear below:<sup>915</sup>



Based largely on the undisputed fact that the plaintiff offered only pornography, while Amazon sought to keep hardcore pornography off of Amazon Fire TV (despite making pornography available on other company platforms), the district court found confusion unlikely as a matter of law in a straightforward application of the Eleventh Circuit’s standard likelihood-of-confusion factors.

Noting that the plaintiff’s claims sounded in reverse confusion, the appellate court found that methodology flawed, with the explanation that “there are several important differences in how the seven likelihood-of-confusion factors apply in reverse-confusion cases versus forward-confusion cases.”<sup>916</sup> One such difference was the differing treatment properly according to the mark-strength factor:

In the typical forward-confusion case, this factor focuses only on the conceptual strength of the plaintiff’s mark. This is because in a forward-confusion case, the plaintiff’s theory is that the defendant—a newer user of the mark at issue—is attempting to profit off the plaintiff’s goodwill and reputation. . . .

But in a reverse-confusion case, the plaintiff is not arguing that the defendant is attempting to profit off the plaintiff’s goodwill. Rather, the plaintiff asserts that the

<sup>913</sup> See, e.g., Bluetooth SIG Inc. v. FCA US LLC, 30 F.4th 870, 873 (9th Cir. 2022) (per curiam) (vacating entry of summary judgment in favor of plaintiff challenging resale of genuine goods bearing its marks).

<sup>914</sup> See Wreal, LLC v. Amazon.com, Inc., 38 F.4th 114 (11th Cir. 2022).

<sup>915</sup> *Id.* at 124.

<sup>916</sup> *Id.* at 121.

defendant—the junior but more powerful mark user—has been able to commercially overwhelm the market and saturate the public conscience with its own use of the mark, thereby weakening and diminishing the value of the senior user’s mark. Thus, in this situation, the conceptual strength of the plaintiff’s mark is necessarily less important to the analysis. Accordingly, when assessing the distinctiveness of the mark in a reverse-confusion case, the district court should consider both the conceptual strength of the plaintiff’s mark and the relative commercial strength of the defendant’s mark.<sup>917</sup>

The district court had failed to account for the commercial strength of Amazon’s mark, and that consideration, coupled with the conceptual strength of the plaintiff’s own uses, precluded a finding of unlikely confusion as a matter of law.<sup>918</sup>

That was not the limit of the district court’s errors, for it also had mistakenly found no material dispute that the parties’ marks were dissimilar. “When the focus is on the similarity of the marks themselves,” the court of appeals explained, “the result is clear—FyreTV and fireTV are nearly identical. ‘Fire’ is the first and only dominant word in both marks, and it is presented in a phonetically and connotatively identical fashion. It is also an abstract term, and thus the only term in either mark that gives the mark meaning.”<sup>919</sup> Plus, and once again because of the nature of the plaintiff’s claims, the use of AMAZON house mark did not distinguish the parties’ uses:

In forward-confusion cases—where a commercially superior plaintiff with a strong conceptual mark sues a defendant for attempting to profit off its goodwill—the presence of a housemark is indeed likely to dispel confusion in ordinarily prudent consumers. But in reverse-confusion cases, this presumption is reversed; because the harm is false association of the plaintiff’s mark with the defendant’s corporate identity, the defendant’s use of a housemark alongside the mark is more likely to cause confusion.<sup>920</sup>

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<sup>917</sup> *Id.* at 128–29 (footnote omitted) (citations omitted).

<sup>918</sup> *Id.* at 129–30 (“The commercial strength of Amazon’s mark is manifest and appears in the record. Amazon admitted in its answer that the fireTV was launched with a major advertising campaign, was covered by major magazines and television networks, and that it was a bestseller. Amazon also admits that it advertises the fireTV in multiple brick-and-mortar locations, as well as on amazon.com, one of the most visited online shopping sites in the United States. In short, Amazon’s overwhelming commercial success with the fireTV mark, coupled with the conceptual strength of [the plaintiff’s] mark, pushes this factor firmly in [the plaintiff’s] favor.”).

<sup>919</sup> *Id.* at 130.

<sup>920</sup> *Id.* at 131 (citation omitted).

If the mark-similarity factor therefore weighed in the plaintiff's favor,<sup>921</sup> so too did the competitive proximity of the parties' services.<sup>922</sup> Likewise, the court found "strong" evidence of bad faith in Amazon's awareness of the plaintiff's rights before adopting its own mark and in testimony by Amazon's vice president of marketing that he intended customers searching for his company's services not to find the defendant's site.<sup>923</sup> Although the court discounted low net positive results from surveys conducted by both parties based on expert testimony suggesting that "watching pornography is an inherently shameful act, and that consumers of pornography are less likely to report their consumption than consumers of other media," it found the plaintiff had adduced anecdotal evidence of two instances of actual confusion.<sup>924</sup> The summary judgment record was not entirely without support for Amazon's position—the court agreed that the parties targeted differing consumers and employed differing promotional strategies<sup>925</sup>—but that was not enough to render confusion unlikely as a matter of law: "This is not to say that Amazon may not ultimately prevail on the merits; rather, it must do so before a jury."<sup>926</sup>

Some motions for summary judgment did not lead to appellate opinions. A pair of cross-motions not doing so came in a dispute in the Southern District of New York brought by a plaintiff that sold juice products in foil pouches against a manufacturer of pouches for

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<sup>921</sup> *Id.* at 132.

<sup>922</sup> *Id.* at 133 ("Amazon is a company that already sells hardcore pornography on its website and offers softcore pornography on its set-top box. And it competes in a market in which its direct competitors offer hardcore pornography streaming directly on their set-top boxes. Given this information, a reasonable juror could conclude that Amazon decided to 'bridge the gap' and offer a standalone set-top box dedicated to streaming hardcore pornography.").

<sup>923</sup> *Id.* at 136–37.

On this issue, the court noted:

Evidence of a specific intent to deceive is not a prerequisite to establish intent in reverse-confusion cases, as it is in forward-confusion cases. Indicia of intent can come from a wide variety of sources, including a more generalized intent to obtain market saturation or to proceed with the adoption of a mark in circumstances where the defendant had constructive knowledge of the plaintiff's mark. The facts of each case will vary, and district courts should accord the intent factor whatever weight it is due under the circumstances.

*Id.* at 136.

<sup>924</sup> *See id.* at 138 ("The record evidence here contains some evidence of actual confusion. For example, [the plaintiff] introduced evidence that one of its customers asked over Twitter, 'Did you guys just merge with Amazon?' And one of Amazon's customers communicated with Amazon to ask whether he could access 'adult content' on his Amazon 'fyre' TV. Both instances directly suggest reverse confusion; the first consumer believed Amazon had purchased [the plaintiff's] trademark, and the second consumer contacted Amazon to inquire about [the plaintiff's] product.").

<sup>925</sup> *Id.* at 135–36.

<sup>926</sup> *Id.* at 140.

competitors of the plaintiff.<sup>927</sup> The plaintiff got off to a bad start by unsuccessfully asserting in its own cross-motion that a predecessor of the defendant had once entered into a license agreement with the plaintiff authorizing the predecessor to use the pouch in which the plaintiff claimed rights; according to the plaintiff, the defendant's use of a similar pouch following the license's termination constituted infringement as a matter of law. Rejecting that argument, the court identified modest differences between the licensed pouch (below left), and the ones manufactured and sold by the defendant (below right):<sup>928</sup>



Based on those differences, primarily reflected in the amount of curvature in the upper corners of the pouches,<sup>929</sup> the court concluded that resort to the Second Circuit's standard multifactor test for likely confusion was necessary.<sup>930</sup>

In an application of that test, the court found it unable to resolve the issue of infringement as a matter of law. After an exhaustive examination of the commercial strength of the plaintiff's trade dress, which the court treated as identical to the secondary-meaning

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<sup>927</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>928</sup> *Id.* at 148.

<sup>929</sup> See *id.* ("Although the upper corners of each product are rounded, the rounding on the [plaintiff's] Pouch Mark is confined to a smaller area, such that the corner presents as close to being squared off. In contrast, the rounding on the Accused Products begins lower on the pouch and plays out over a greater surface area . . .").

<sup>930</sup> See *id.* at 147 ("Except where the senior and junior marks are identical, the Court has not found—and [the plaintiff] has not cited—any authority finding likelihood of confusion as a matter of law between a previously licensed mark and the former licensee's new mark. Instead, the Second Circuit has instructed that '[w]hen the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them [under *Polaroid*].'" (second and third alterations in original) (quoting *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 149 (2d Cir. 2003))).

inquiry, the court found that the plaintiff's advertising and sales figures merited weighing that strength "only weakly" in the plaintiff's favor.<sup>931</sup> The plaintiff did better where the competitive proximity of the parties' goods and their relatively low price points were concerned, as the court found that those considerations similarly favored the plaintiff's position.<sup>932</sup> Finally, the court found that the similarity between the parties' pouches when viewed without accompanying verbiage and graphics also favored the plaintiff, "but only to a modest extent."<sup>933</sup>

Nevertheless, and although those considerations were enough to sink the plaintiff's summary judgment motion, the defendant was not without favorable evidence and testimony of its own. For example, the court determined that, as it actually appeared in the marketplace, the plaintiff's pouch (the first graphic below) might well be distinguishable from pouches sold by the defendant's customers (representative examples shown in the second, third, and fourth graphics below):<sup>934</sup>



So too did the defendant get mileage from a consumer survey that yielded a net confusion rate of zero percent and the plaintiff's

<sup>931</sup> *Id.* at 162. The court summarized the record evidence and testimony regarding the strength of the plaintiff's trade dress in the following manner:

In the aggregate, the first *Polaroid* factor—the strength of the [plaintiff's] Pouch Mark—favors [the plaintiff], but only slightly. Two important factors—advertising expenditures and sales success—favor [the plaintiff]. Two other important factors—the absence of a probative, reliable consumer survey associating the Pouch Mark with [the plaintiff] and a crowded market of pouch products—strongly favor [the defendant]. The relative dearth of unsolicited media coverage before [the defendant's allegedly infringing use] favors [the defendant] but is not a consequential factor. The inconclusive evidence as to [the defendant's] intent to plagiarize the Pouch Mark, a factor which—depending on how certain documents are construed is either neutral or close—also does not strongly affect the overall balance.

*Id.*

<sup>932</sup> *Id.* at 168, 176–77.

<sup>933</sup> *Id.* at 167.

<sup>934</sup> *Id.* at 165.



“anemic” anecdotal evidence of actual confusion;<sup>935</sup> although the plaintiff argued that those few consumers motivated enough to complain about confusion would have done so to retailers, rather than to the parties, the court held that “[t]hose circumstances do help explain the paucity of complaints. But they neither make the factor of actual confusion irrelevant nor relieve [the plaintiff] of its onus to come forward with such evidence.”<sup>936</sup> “All in [all],” the court concluded, “the factors tip in [the plaintiff’s] favor, but slightly, with the important qualification that, depending on the light in which the evidence as to various factors is viewed, the balance can be viewed as favoring [the plaintiff] more decisively, or as tipping in [the defendant’s] favor.”<sup>937</sup> Summary judgment therefore was inappropriate in favor of either party.

In a different case in which cross-motions for summary judgment also failed, the plaintiffs sought to protect their registered RISE ‘N SHINE mark for health and beauty products that included perfumes, lotions, oils, shampoos, and conditioners.<sup>938</sup> They asserted claims of both direct and contributory infringement against Amazon based on that company’s sale of cocoa butter, shea butter, argon oil, and African black soap produced by third party and also bearing the RISE ‘N SHINE mark. In moving for a finding of likely confusion as a matter of law, the plaintiffs leaned heavily on the USPTO’s past rejections of applications to register other parties’ RISE ‘N SHINE marks based on those marks’ perceived confusing similarity with the plaintiffs’ prior-registered mark; one of those failed applications was to register the RISE ‘N SHINE ONLINE mark and had been filed by the third-party supplier of the goods challenged by the plaintiffs. Rather than giving the judgment of the USPTO examiners dispositive effect, however, the court held “the initial rejections by the USPTO’s trademark examining attorneys are not evidence of a likelihood of confusion.”<sup>939</sup>

The court likewise declined to resolve the issue of likely confusion in the plaintiffs’ favor based on what they characterized as a “smoking gun” in the form of an e-mail produced by Amazon in the course of discovery.<sup>940</sup> That communication was directed to the third-party supplier and explained that its goods had been removed from Amazon’s platform because “we received a report from a rights owner that they *may* infringe the following trademark”<sup>941</sup> and

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<sup>935</sup> *Id.* at 170.

<sup>936</sup> *Id.* at 172.

<sup>937</sup> *Id.* at 178.

<sup>938</sup> *See Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780 (S.D. Ind. 2021).

<sup>939</sup> *Id.* at 804 (quoting *Est. of Ellington v. Gibson Piano Ventures, Inc.*, 75 U.S.P.Q.2d 1724, 1729 (S.D. Ind. 2005)).

<sup>940</sup> *Id.* at 803.

<sup>941</sup> *Id.*

because “[o]ne or more of [your] listings may be infringing the intellectual property rights of others.”<sup>942</sup> The court reacted sharply to the plaintiffs’ argument, finding that “[n]othing in this email states that any definitive determination had been made as to whether the Accused Products infringe upon Plaintiffs’ trademarks. Plaintiffs’ repeated suggestion otherwise is misleading.”<sup>943</sup> It then reached a similar conclusion with respect to the plaintiffs’ attempted reliance on deposition testimony from an Amazon witness that the takedown “did have something to do with trademark infringement,” and that, to his knowledge, the decision was “due to a case that was—about trademark infringement.”<sup>944</sup> “These statements,” the court determined, “show that Amazon was reacting to the possibility of trademark infringement, not that it had determined or admitted that trademark infringement had in fact occurred.”<sup>945</sup> Thus, without further discussion of the usual likelihood-of-confusion factors or of Amazon’s showing that confusion was unlikely, the court denied both parties’ motions.

## **(2) The First-Sale Doctrine and Likely Confusion Arising from the Diversion or Alteration of Genuine Goods**

Although all federal courts of appeal and most state courts have adopted multifactored tests to measure the likelihood of confusion between marks, “particular situations may call for a more refined analysis.”<sup>946</sup> That proposition is perhaps most true if a plaintiff’s claim of infringement rests on an allegation that a defendant has resold genuine goods or, in other words, goods originally introduced into commerce by the owner of the mark appearing on them or under its authority.<sup>947</sup> Under those circumstances, a finding of liability may be foreclosed by the first-sale doctrine, pursuant to which the mark owner’s rights may be exhausted as of that sale. Nevertheless, under the framework set forth in the Supreme Court’s 1947 opinion in *Champion Spark Plug v. Sanders*,<sup>948</sup> one exception to the doctrine applies if the good resold by the defendant differs in some material

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<sup>942</sup> *Id.* at 804.

<sup>943</sup> *Id.*

<sup>944</sup> *Id.*

<sup>945</sup> *Id.*

<sup>946</sup> *Hamilton Int’l Ltd. v. Vortic LLC*, 13 F.4th 264, 272 (2d Cir. 2021).

<sup>947</sup> Of course, the alternate tests for liability addressed in this section are appropriate only if the goods sold by the defendant are genuine in the sense they were introduced into the stream of commerce by the plaintiff or under its authority. *See* *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050, 1064 (S.D. Cal. 2021) (denying motion to dismiss on ground that “[h]ere, because Plaintiff alleges the sale of counterfeit trading cards, the first-sale defense does not apply in this case”).

<sup>948</sup> 331 U.S. 125 (1947).

way and the difference is not adequately disclosed to consumers;<sup>949</sup> likewise, another applies if the good in question has been so fundamentally altered that no amount of disclosure of the alteration will render confusion unlikely.<sup>950</sup>

A comprehensive Second Circuit opinion explained these principles in an action in which the plaintiff's predecessor had manufactured and sold pocket watches using the HAMILTON mark between 1894 and 1950.<sup>951</sup> Having acquired a number of those goods, the defendants repurposed them as oversized wrist watches, in the process replacing "various internal engineering parts such as the crowns, screws, and inserts," as well as "[t]he watch's wrist strap and the case surrounding its movements and dial";<sup>952</sup> nevertheless, "[t]he only modification to the original movements was the replacement of a lever which makes it easier for users to change the time."<sup>953</sup> Because the defendants retained the original dial and movements and because the backs of the altered watches were transparent, the plaintiff's mark remained visible in the altered watches, and that visibility led the plaintiff to claim infringement.<sup>954</sup>



Following a bench trial, the district court found in the defendants' favor based in part on the perceived adequacy of the

<sup>949</sup> *Id.* at 130 ("Inferiority is immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new. . . . Full disclosure gives the manufacturer all the protection to which he is entitled.").

<sup>950</sup> *Id.* at 129 ("Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added.").

<sup>951</sup> *See Hamilton Int'l Ltd.*, 13 F.4th at 268.

<sup>952</sup> *Id.*

<sup>953</sup> *Id.* at 273.

<sup>954</sup> *Id.* at 269.

defendants' disclosures under *Champion* and based in part on an application of the standard multifactored test for likely confusion.<sup>955</sup> With respect to the *Champion* test, the appellate court cited approvingly to explanations of the refurbished watches' history in the defendants' advertising, as well as the watches' appearances. As to the second of these considerations, the court declined to disturb the district court's finding that each of the defendants' watches, "with its larger size, the 12 o'clock knob position, and the general look of its parts as restored antiques[ ] 'obviously presents to a viewer as restored antique pocket watch movement, face, and hands that have been reincorporated into a new wristwatch'";<sup>956</sup> likewise, the same was true of the continued affixation of the HAMILTON mark only on an obviously antique movement and face.<sup>957</sup>

That left the issue of whether the defendants' alterations of the watches were so fundamental that no amount of disclosure could render confusion unlikely. Citing to prior appellate opinions arising from successful past challenges to altered watches,<sup>958</sup> the plaintiff argued that those supported a bright-line rule favoring liability in that scenario, but the Second Circuit was unconvinced. It instead held that the plaintiff's proffered opinions had turned on factual findings that the disclosures in those cases were inadequate. Based on the factual finding to the contrary in the appeal before it, the court affirmed the district court's determination that the *Champion* framework did not mandate a finding of liability.<sup>959</sup> In an analysis addressed earlier in this Review, it then held the district court had not erred in finding confusion unlikely under an application of the standard multifactored test.<sup>960</sup>

The Second Circuit was not the only federal appellate court to address the metes and bounds of the first-sale doctrine, for the doctrine also made an appearance in an appeal to the Ninth Circuit in a case addressing the extent to which a trademark owner's rights are exhausted if a genuine good bearing its mark is incorporated into another good without that owner's consent.<sup>961</sup> The mark at

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<sup>955</sup> As an initial matter, the court rejected the plaintiff's argument that the defendant bore the burden of proving its disclosures adequately disclosed the provenance of the altered watches it sold; instead, the court held, "in a trademark infringement case, the plaintiff bears the burden of proving a likelihood of consumer confusion in the alleged infringer's use of the mark." *Id.* at 274.

<sup>956</sup> *Id.* at 276 (quoting *Hamilton Int'l Ltd. v. Vortic LLC*, 486 F. Supp. 3d 657, 664 (S.D.N.Y. 2020), *aff'd*, 13 F.4th 264 (2d Cir. 2021)).

<sup>957</sup> *Id.*

<sup>958</sup> See *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704 (9th Cir. 1999); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998); *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20 (7th Cir. 1964).

<sup>959</sup> *Hamilton Int'l*, 13 F.4th at 275–76.

<sup>960</sup> *Id.* at 276–79.

<sup>961</sup> See *Bluetooth SIG Inc. v. FCA US LLC*, 30 F.4th 870 (9th Cir. 2022) (per curiam).

issue was the BLUETOOTH certification, which had been applied to genuine radio head units by third parties licensed to use it; those third parties then sold the units to the defendant, an automobile manufacturer, which incorporated the units into its vehicles. The plaintiff accused the defendant of having trafficked in goods bearing counterfeit imitations of the plaintiff's mark, and the district court agreed with that accusation on the parties' cross-motions for summary judgment. On appeal, however, the Ninth Circuit held that the exhaustion doctrine applied in such a scenario, which properly reduced the question to whether the defendant had adequately disclosed its relationship to the plaintiff. The appellate court declined to resolve that question in the first instance, choosing instead to remand the matter to the district court to do so.<sup>962</sup>

In contrast, a Colorado federal district court not only delivered a victory to a plaintiff but did so as a matter of law.<sup>963</sup> The plaintiffs manufactured and sold cases for mobile devices, smartphones, and tablets under the OTTERBOX and LIFEPROOF marks. When sold through the plaintiffs' network of authorized sellers, those goods came with warranties offered by the plaintiffs. The plaintiffs, however, declined to honor warranties on those of their goods resold by the defendants, and that refusal became one basis of the plaintiffs' argument that the goods materially differed from their authorized counterparts. Improbably, the defendants conceded that basic point in favor of arguing that the plaintiffs' warranties were invalid as inconsistent with Colorado law. Unconvinced by that argument, the court found no material dispute that the goods sold by the defendants were, in fact, materially different and that the plaintiffs were thereby entitled to summary judgment.<sup>964</sup>

That was not all, however, for the court also found liability as a matter of law based on the theory that the goods sold by the defendants had not been subject to the rigors of the plaintiffs' quality-control measures, which included instructions to its authorized sellers "regarding shipping and handling [the plaintiffs' goods], product inspection, removal of damaged goods, reporting to [the plaintiffs] any product damages or defects, and product display requirements";<sup>965</sup> they also included detailed protocols governing those sellers' offering of the plaintiffs' goods on Amazon.<sup>966</sup> Although the defendants argued those measures were merely pretextual and that the plaintiffs themselves had failed to comply with them, the

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<sup>962</sup> *Id.* at 873.

<sup>963</sup> *See Otter Prods., LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066 (D. Colo. 2021), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022).

<sup>964</sup> *Id.* at 1074–75.

<sup>965</sup> *Id.* at 1075.

<sup>966</sup> *Id.* at 1076.

court found those arguments unsupported by the summary judgment record. With the court additionally finding that “the nonconforming sales by [the defendants] diminish the value of [the plaintiffs’] mark by interfering with their ability to ensure that [the plaintiffs’ goods] sold adhere to [the plaintiffs’] standards,”<sup>967</sup> in part because of the defendants’ poor customer service, summary judgment of infringement was appropriate under that theory as well.<sup>968</sup>

Other plaintiffs had similarly good luck, at least at the pleadings stages of their cases. One such plaintiff manufactured mold testing devices, which included a cassette with a single-use collection media and which the defendant distributed to home inspectors.<sup>969</sup> Rather than disposing of the cassettes after that single use, the defendant distributed them again without a collection medium, which, the plaintiff averred, rendered them inferior products. Those allegations in the complaint led the court to deny the defendant’s motion to dismiss the plaintiff’s causes of action for infringement and counterfeiting. According to the court:

[The plaintiff] [has] adequately alleged that the reused cassettes are materially different, as while the cassettes bore the [plaintiffs’] mark until at least July 2021, the cassettes used a different collection media and may have had a compromised structural integrity, both of which can cause unreliable test results. Whether [the reused cassettes are actually inferior in such a manner as to be legally materially different is a question of fact that cannot be decided on a motion to dismiss].<sup>970</sup>

Two other plaintiffs to escape a motion to dismiss objected to the defendant’s importation of goods produced by the plaintiffs but distributed only in Mexico.<sup>971</sup> In denying the defendant’s motion, the court noted that the complaint averred myriad material differences between the goods resold by the defendant in the United States and their authorized counterparts:

For example, the labels are in different languages, with the [authorized] products having English-language labels and the [defendant’s] products having Spanish-language labels. The Spanish-language labels for [the defendant’s] products violate FDA regulations that require products sold in the United States to be labeled in English. The [parties’] products list different websites for customer service related

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<sup>967</sup> *Id.*

<sup>968</sup> *Id.* at 1077.

<sup>969</sup> *See* Cole-Parmer Instrument Co. v. Pro. Lab’ys, 568 F. Supp. 3d 1307 (S.D. Fla. 2021).

<sup>970</sup> *Id.* at 1316 (citation omitted).

<sup>971</sup> Nestle USA, Inc. v. Best Foods LLC, 562 F. Supp. 3d 626 (C.D. Cal. 2021).

to the products. The information available on the nutrition labels is different for [the parties'] products. The . . . labels [on the authorized products] list weight in U.S. customary and metric units, while the . . . labels [on the defendant's products] list weights only using metric units. The sugar and fat content of the . . . products differ. And [the plaintiffs] offer[ ] several customer service features for [the authorized] products that are not available for [the defendant's] products.<sup>972</sup>

The court held that "any one of these material differences alone would suffice for Plaintiffs to plead that the [defendant's] goods are [unlawful] gray-market goods."<sup>973</sup> "Taken together," it concluded, "these allegations easily demonstrate the [parties'] goods are materially different."<sup>974</sup>

A final defeat of a motion to dismiss came in a case in which the plaintiff challenged the resale of its batteries.<sup>975</sup> In denying the motion, the court observed:

The plaintiff alleges differences in physical packaging, information included with the batteries and quality. It describes specific examples of these differences: "loose batteries in . . . plain white box[es]" and "clear baggies" rather than in blister packs, inclusion of the "Not for Retail Trade" designation on consumer batteries, omission of "safety information, safe handling instructions, and other warnings," and poor quality batteries. It also alleges that these differences matter to consumers. In addition, the complaint includes photographs showing these differences, as well as images of customer reviews in which consumers express confusion or dissatisfaction because of these differences.<sup>976</sup>

Those allegations of material differences, the court held, were sufficient to get the plaintiff's case to the proof stage of the litigation.<sup>977</sup>

### **(C) Counterfeiting**

One court weighing a request from a band and its licensing agent took a notably skeptical view of an emergency request for an ex parte seizure of goods in anticipation of a series of shows in Las

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<sup>972</sup> *Id.* at 631 (citations omitted).

<sup>973</sup> *Id.*

<sup>974</sup> *Id.*

<sup>975</sup> *See Energizer Brands, LLC v. My Battery Supplier, LLC*, 529 F. Supp. 3d 57 (E.D.N.Y. 2021).

<sup>976</sup> *Id.* at 62.

<sup>977</sup> *Id.* at 64.

Vegas.<sup>978</sup> The plaintiffs filed the action against a group of anonymous defendants, which the court held prevented it from determining the existence of an actionable case and controversy and the propriety of an exercise of personal jurisdiction over the defendants. Of equal significance, however, it rejected the plaintiffs' claim that both Section 34(a)<sup>979</sup> and Rule 65(b) of the Federal Rules of Civil Procedure<sup>980</sup> authorized the relief sought by the plaintiffs. With respect to Section 34(a), the court held that "nowhere in that provision does it grant courts the power to impose such injunctions on unidentified—and potentially nonexistent—persons, particularly when plaintiffs cannot point to any known individual who is likely to infringe on their marks in Las Vegas."<sup>981</sup> "And FRCP 65," it continued, "permits a court to issue temporary restraining orders without notice but assumes the existence of an 'adverse party' against whom the injunction will be granted."<sup>982</sup> It then held that:

[A]s of now, there is no adverse party against whom an injunction can issue. While plaintiffs make broad accusations about the difficulty in serving notice to bootleggers—who are aware their actions are illegal and purposefully evade the efforts of courts and law-enforcement officials to learn their identities and hold them to account for their illegal activity—none of those allegations solves for the fact that, without an actual defendant to enjoin, I cannot grant the relief plaintiffs seek.<sup>983</sup>

It therefore recommended that the plaintiffs take their grievances up with Congress "to create some mechanism by which this evasive and illegal conduct can be addressed."<sup>984</sup>

The more conventional question of whether the disposition of a counterfeiting claim required a full-blown application of the standard likelihood-of-confusion factors, or, alternatively, whether a simpler analysis was possible arose in more than one case and was generally resolved in favor of the latter option.<sup>985</sup> For example, one

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<sup>978</sup> See *Hybe Co. v. Does 1–100*, 598 F. Supp. 3d 1005 (D. Nev. 2022).

<sup>979</sup> 15 U.S.C. § 1116(a) (2018).

<sup>980</sup> Fed. R. Civ. P. 68(b).

<sup>981</sup> *Hybe Co.*, 598 F. Supp. 3d at 1009.

<sup>982</sup> *Id.*

<sup>983</sup> *Id.*

<sup>984</sup> *Id.*

<sup>985</sup> See *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 101 (E.D.N.Y. 2021) (ordering plaintiff's counterfeiting and unfair competition causes of action consolidated with that for infringement); *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050, 1062–63 (S.D. Cal. 2021) ("Plaintiff alleges Defendant's products are counterfeit reprinted cards of the exact replica of Plaintiff's trading cards. Therefore, likelihood of confusion is also presumed. These allegations sufficiently allege a claim under [15] § 1125(a)(1)(A) that Defendant's



court entered summary judgment of liability by eschewing reliance on the standard test based on the plaintiffs showing that the defendants had trafficked in goods associated with spurious copies of the plaintiff's registered marks.<sup>986</sup> It held that "in cases involving counterfeit marks, it is unnecessary to perform the step-by-step examination . . . because counterfeit marks are inherently confusing."<sup>987</sup> "Where virtually identical marks are used with identical products or services," it concluded, "likelihood of confusion 'follow[s] as a matter of course.'"<sup>988</sup>

Other plaintiffs also enjoyed varying degrees of success in advancing allegations of counterfeiting.<sup>989</sup> One not doing so, however, failed in its attempts to augment its causes of action before a New York federal district court against a group of transportation companies accused of liability for counterfeiting after apparently unknowingly importing and transporting goods bearing counterfeiting imitations of the plaintiff's registered marks.<sup>990</sup> In addition to the usual claims against the defendants, the plaintiff asserted ones under Section 42 of the Lanham Act<sup>991</sup> and Section 526 of the Tariff Act of 1930.<sup>992</sup>

The first of those statutes, Section 42, 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."<sup>993</sup> Section 42 is silent on the question of whether it is enforceable through a private cause of action, and this silence has led some courts to recognize one.<sup>994</sup> Not so the court at issue, which granted a defense motion for summary judgment with the observation that:

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counterfeits will lead consumers to be deceived as to the trading cards affiliation with Plaintiff." (citations omitted)).

<sup>986</sup> See *JUUL Labs, Inc. v. Chou*, 557 F. Supp. 3d 1041 (C.D. Cal. 2021), *reconsideration denied*, No. CV 21-3056 DSF (PDx), 2022 WL 4596556 (C.D. Cal. Aug. 22, 2022).

<sup>987</sup> *Id.* at 1053 (alteration in original) (quoting *Philip Morris USA Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1073 (C.D. Cal. 2004), *reconsideration denied*, No. CV 21-3056 DSF (PDx), 2022 WL 4596556 (C.D. Cal. Aug. 22, 2022)).

<sup>988</sup> *Id.* (alteration in original) (quoting *Brookfield Commc'ns, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999)).

<sup>989</sup> See, e.g., *YETI Coolers, LLC v. Individuals, Bus. Entities, & Unincorporated Ass'ns Identified on Schedule A*, 566 F. Supp. 3d 1333, 1340 (S.D. Fla. 2021) (granting unopposed motion for preliminary injunction against defendants' continued promotion and sale of goods bearing counterfeit imitations of plaintiffs' marks).

<sup>990</sup> See *Nike, Inc. v. B&H Customs Servs., Inc.*, 565 F. Supp. 3d 498 (S.D.N.Y. 2021).

<sup>991</sup> 15 U.S.C. § 1124 (2018).

<sup>992</sup> Ch. 497, 46 Stat. 590 (codified as amended at 19 U.S.C. § 1526 (2018)).

<sup>993</sup> 15 U.S.C. § 1124.

<sup>994</sup> See, e.g., *Philip Morris USA Inc. v. Lee*, 481 F. Supp. 2d 735, 748 (W.D. Tex. 2006), *vacated in part on reconsideration*, 494 F. Supp. 2d 544 (W.D. Tex. 2007).

By its terms, . . . [Section 42] does not create any “right” that would justify applying the injunctive relief and damages provisions in Sections [34] and [35]. And, . . . the text does not include any other provision creating civil liability, as other sections of the Lanham Act do. For all these reasons, the Court is persuaded that Section [42] does not create a private right of action.<sup>995</sup>

The court’s skepticism extended to the plaintiff’s Section 526 cause of action. That statute provides that “it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise . . . bears a [registered] trademark owned by a citizen of, or by a corporation or association created or organized within, the United States”<sup>996</sup> and that “[a]ny person dealing in any such merchandise may be enjoined from dealing therein . . . and shall be liable for the same damages and profits provided for wrongful use of a trademark.”<sup>997</sup> Unlike Section 42, Section 526(c) therefore clearly authorizes a private cause of action against importers, but that did not get the plaintiff across the finish line, at least as a matter of law. Instead, finding a factual dispute with respect to whether the defendants were the ones to import the challenged goods or whether they were “dealing in” goods bearing counterfeit marks, the court denied the plaintiff’s motion for summary judgment, and it did the same with respect to the defendants’ cross-motion.<sup>998</sup>

## ***(D) Actual or Likely Dilution***

### **(1) Mark Fame and Distinctiveness**

To qualify for protection against dilution under federal law, a mark must be famous as of the defendant’s date of first use.<sup>999</sup> Under Section 43(c)(2)(A),<sup>1000</sup> this means it must have been “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,”<sup>1001</sup> a determination Congress has indicated should turn on the following nonexclusive factors in Section 43(c)(2)(A):

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

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<sup>995</sup> *Nike*, 565 F. Supp. 3d at 514–15 (citation omitted).

<sup>996</sup> 19 U.S.C. § 1526(a) (2018).

<sup>997</sup> *Id.* § 1526(c).

<sup>998</sup> *Nike*, 565 F. Supp. 3d at 516–17.

<sup>999</sup> 15 U.S.C. § 1125(c)(1) (2018).

<sup>1000</sup> *Id.* § 1125(c)(2)(A).

<sup>1001</sup> *Id.*

- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>1002</sup>

In contrast, the dilution statutes of some states, such as New York,<sup>1003</sup> require a threshold showing only of mark distinctiveness. As always, these prerequisites generated reported opinions applying them.

### ***(a) Opinions Finding Marks Famous and Distinctive***

Unusually, no readily apparent reported opinions reached express findings that plaintiffs' marks were sufficiently famous or distinctive to qualify for protection against actual or likely dilution.

### ***(b) Opinions Declining to Find Marks Famous and Distinctive***

The definition of mark fame under federal law is deliberately strict: The legislative history of the bill that became Section 43(c) recites that "[t]his bill narrows the application of dilution by tightening the definition of what is necessary to be considered a famous mark. The bill eliminates fame for a niche market and lists factors necessary for a dilution by blurring claim."<sup>1004</sup> An example of judicial fealty to that congressional intent came in an opinion from a California federal district court dismissing an assertion of mark fame at the pleadings stage.<sup>1005</sup> The primary mark in question was UPPER DECK for sports trading cards, which the complaint alleged was "recognized among traders and collectors alike" because of what the court characterized as the plaintiff's "long history, international reach and record-breaking industry standards," which had "led to favorable public acceptance and association with its name."<sup>1006</sup> Holding those allegations insufficient to establish the mark's fame in anything more than the "the niche market of trading card collectors,"<sup>1007</sup> the court granted the defendant's motion to dismiss.

An only marginally less aggressive dismissal of a plaintiff's claim of mark fame under Section 43(c) came in an action to protect

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<sup>1002</sup> *Id.* § 1125(c)(2)(A)(i)-(iv).

<sup>1003</sup> N.Y. Gen. Bus. Law § 360-1.

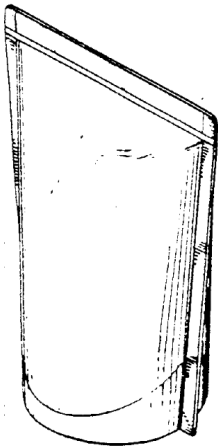
<sup>1004</sup> H.R. Rep. No. 109-23, at 8 (2005).

<sup>1005</sup> *See* Upper Deck Co. v. Flores, 569 F. Supp. 3d 1050 (S.D. Cal. 2021).

<sup>1006</sup> *Id.* at 1066.

<sup>1007</sup> *Id.*

the configuration of a foil juice package, shown below as registered in the USPTO (on the left) and with an exemplar of its presentation in the marketplace (on the right):<sup>1008</sup>



In responding to a defense motion for summary judgment, the plaintiff availed itself of what the court characterized as “impressive advertising and publicity figures across the United States, particularly in the years preceding this litigation”;<sup>1009</sup> likewise, its sales figures were also “substantial,” growing “from \$100 million in 1991, to \$751 million in 2012; \$690.4 million in 2013; \$686.9 million in 2014; \$647.2 million in 2015; and approximately \$500 million in 2016.”<sup>1010</sup> But neither those considerations nor the plaintiff’s registration could fend off the court’s finding that the plaintiff’s trade dress was insufficiently famous to qualify for protection against likely dilution under federal law based on the plaintiff’s failure to adduce “any evidence whatsoever” that consumers associated the plaintiff’s trade dress with the plaintiff.<sup>1011</sup> “By leaving a blank empirical record as to this point,” the court noted, “[the plaintiff] effectively disarmed itself as to this element.”<sup>1012</sup> Worse still, “the record reflects steps by [the plaintiff] that

<sup>1008</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 109, 165 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>1009</sup> *Id.* at 183; *see also id.* (“[The plaintiff] spent between \$19.8 million and \$20.1 million each year on advertising across all its sub-brands between the years 2013 and 2018. That data was sourced to Nielsen, a reliable data company, and corroborated by other sources. The Court further found that [the plaintiff] spent significant sums on nationally aired ad campaigns, including in 2008 and 2014; obtained endorsements from high-profile athletes and other celebrities; and partnered with Kentucky Fried Chicken, Lyft, and an HBO series.” (citations omitted)).

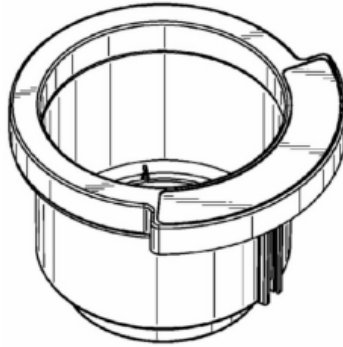
<sup>1010</sup> *Id.*

<sup>1011</sup> *Id.* at 183–84.

<sup>1012</sup> *Id.* at 184.

undermined the strength of its mark,” namely, the plaintiff’s issuance of numerous licenses to use its trade dress to third parties.<sup>1013</sup> Finally, although the plaintiff had successfully introduced into the summary judgment record two marketing studies documenting the success of the juice sold in its packages, those were “indicative at best of ‘niche fame,’ i.e., fame ‘in a particular market sector or group of consumers,’ which ‘is generally insufficient to prove a claim of trademark dilution.’”<sup>1014</sup> The plaintiff’s claim of mark fame therefore fell short as a matter of law.

A motion for summary judgment also disposed of the aspirations to ownership of a famous mark by the manufacturer of a plastic cupholder for incorporation into furniture armrests, as depicted in the following design patent drawing:<sup>1015</sup>



The court’s analysis of the defendant’s attack on the claimed fame of the configuration got off to a troubling start by mistakenly holding that “when a defendant allegedly uses a mark in the same market as the plaintiff, ‘fame’ can be based on nationwide recognition in a niche market.”<sup>1016</sup> Nevertheless, it ultimately rejected the plaintiff’s bid for protection against likely dilution because “[w]hile [the plaintiff] argues that it has significant sales, and, in its opinion, is ‘well-known universally’ in the furniture world, this is insufficient evidence to show that its trade dress is famous”;<sup>1017</sup> likewise, the court concluded from the summary judgment record, “[the plaintiff] points to nothing in its advertising showing its trade dress was

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<sup>1013</sup> *Id.*

<sup>1014</sup> *Id.* (quoting *Blockchange Ventures I GP, LLC v. Blockchange, Inc.*, No. 21 Civ. 891 (PAE), 2021 WL 4340648, at \*7 (S.D.N.Y. Sept. 22, 2021)).

<sup>1015</sup> *See Raffel Sys., LLC v. Man Wah Holdings Ltd., Inc.*, 570 F. Supp. 3d 613, 641 (E.D. Wis. 2021), *reconsideration denied*, No. 18-CV-1765, 2022 WL 154530 (E.D. Wis. Jan. 18, 2022), and *reconsideration denied*, No. 18-CV-1765, 2022 WL 1799493 (E.D. Wis. June 2, 2022).

<sup>1016</sup> *Id.* at 635.

<sup>1017</sup> *Id.* at 636.

touted, nor does it provide any evidence of actual broad recognition of the trade dress.”<sup>1018</sup>

***(c) Opinions Deferring Resolution of the Mark-Fame and Mark-Distinctiveness Inquiries***

The highly factual nature of the inquiry into whether a plaintiff’s mark qualifies for protection against actual or likely dilution proved an insurmountable obstacle to at least some defendants seeking to escape liability as a matter of law. For example, when adidas America and its parent corporation asserted a claim of likely dilution under Section 43(c), the defendant responded with an unsuccessful motion to dismiss on the theory that the plaintiffs’ marks—all consisting in whole or in part of parallel three stripes and therefore referred to collectively by the court as the Three-Stripe Mark—were insufficiently famous to qualify for protection.<sup>1019</sup> Without extended analysis, the court denied the motion with the explanation that

[t]he Complaint alleges that the adidas Three-Stripe Mark is famous and presents numerous examples of media coverage identifying the Three-Stripe Mark’s global fame as well as examples of its ubiquity. The Complaint also alleges that [the defendant] sells clothing with the infringing mark in commerce and that such commerce began long after the Three-Stripe Mark became famous.<sup>1020</sup>

The same disposition held in a separate case in an application of a state dilution statute.<sup>1021</sup> The defendant in that dispute was accused of having violated the Florida dilution statute<sup>1022</sup> by distributing the plaintiff’s single-use mold testing kits after they already had been used and despite the absence from the kits of a key component. Although the Florida statute required a showing of mark fame (and not mere distinctiveness), the court was disinclined to question the veracity of the plaintiff’s claim that its ZEFO mark was sufficiently famous as the time of the defendant’s misconduct to make the grade, and it therefore denied the defendant’s motion to dismiss on that basis.<sup>1023</sup>

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<sup>1018</sup> *Id.*

<sup>1019</sup> *See* adidas Am., Inc. v. Thom Browne Inc., 599 F. Supp. 3d 151 (S.D.N.Y. 2022).

<sup>1020</sup> *Id.* at 161 (citation omitted).

<sup>1021</sup> *See* Cole-Parmer Instrument Co. v. Pro. Lab’ys, Inc., 568 F. Supp. 3d 1307 (S.D. Fla. 2021).

<sup>1022</sup> Fla. Stat. § 495.151.

<sup>1023</sup> *Cole-Parmer Instrument Co.*, 568 F. Supp. 3d at 1317.

## (2) Actual or Likely Dilution

### (a) Actual or Likely Dilution by Blurring

Section 43(c)(2)(B) provides that:

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.<sup>1024</sup>

These factors are identical to neither the Second Circuit's *Polaroid* likelihood-of-confusion factors nor those typically weighed in applications of the New York statute,<sup>1025</sup> and Section 43(c)(1) provides that liability under federal law can exist "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."<sup>1026</sup> Nevertheless, those distinctions received little weight in litigation in which the Girl Scouts of the United States of America accused the Boy Scouts of America of likely dilution of the GIRL SCOUTS mark through the use by the Boy Scouts of the SCOUT ME IN and SCOUTS BSA marks, as well as of "scout," "scouts," and "scouting," in connection with services provided to boys and girls alike.<sup>1027</sup> Having found confusion unlikely as a matter of law, the court reached the same conclusion with respect to likely dilution under federal and state law without undertaking separate analyses of the two sets of separate factors properly considered with respect to that tort; instead, it treated its

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<sup>1024</sup> 15 U.S.C. § 1125(c)(2)(B) (2018).

<sup>1025</sup> See *N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 293 F.3d 550, 558 (2d Cir. 2002) (acknowledging that the six-factor test for likely dilution under New York law considers "(i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; and (vi) the renown of the junior mark").

<sup>1026</sup> 15 U.S.C. § 1125(c)(1).

<sup>1027</sup> See *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581 (S.D.N.Y. 2022).

conclusion with respect to likely confusion as dispositive of likely dilution.<sup>1028</sup>

In an unusual application of the New York statute, one court granted summary judgment to a group of transportation companies accused of importing and transporting goods bearing counterfeit imitations of the plaintiff's marks.<sup>1029</sup> That statute provides that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.<sup>1030</sup>

Although the statutory language does not require a defendant to have used a plaintiff's mark, the court adopted such a requirement. Then, because of a lack of record evidence or testimony that the defendants had done anything more than move the goods in question without taking ownership of them, much less selling them, it granted a defense motion for summary judgment.<sup>1031</sup>

Some courts addressed causes of action under dilution statutes without necessarily disposing of them on the merits.<sup>1032</sup> One was a New York federal district court, which, although holding that state's statute preempted by federal patent law in an action to protect a packaging design, noted in dictum that:

Courts in the Second Circuit consider six factors to determine dilution by blurring under New York law: (i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; and (vi) the renown of the junior mark. Unlike the Lanham Act, New York law requires the marks be substantially similar.<sup>1033</sup>

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<sup>1028</sup> *Id.* at 604.

<sup>1029</sup> See *Nike, Inc. v. B&H Customs Servs., Inc.*, 565 F. Supp. 3d 498 (S.D.N.Y. 2021).

<sup>1030</sup> N.Y. Gen. Bus. Law § 360-1 (McKinney 2012).

<sup>1031</sup> *Nike*, 565 F. Supp. 3d at 517–18.

<sup>1032</sup> See *adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151, 161 (S.D.N.Y. 2022) (denying motion to dismiss allegations of likely dilution without extended analysis); *Cole-Parmer Instrument Co. v. Pro. Lab'ys, Inc.*, 568 F. Supp. 3d 1307, 1317 (S.D. Fla. 2021) (denying motion to dismiss cause of action for dilution by blurring under Florida law based on allegations of defendant's resale of goods differing in material ways from goods' authorized counterparts).

<sup>1033</sup> *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 186 (S.D.N.Y. 2022) (quoting *George Nelson Found. v. Modernica, Inc.*, 12 F. Supp. 3d 635, 648 (S.D.N.Y. 2014)), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).



### ***(b) Actual or Likely Dilution by Tarnishment***

No readily apparent reported opinions reached the merits of claims of actual or likely dilution by tarnishment. Some, however, declined to grant motions to dismiss on the issue, albeit without extensive discussions of the nature of the objectionable uses alleged by plaintiffs.<sup>1034</sup> And, of far greater consequence, the Supreme Court accepted for review a case presenting the following question presented: “Whether humorous use of another’s mark as one’s own on a commercial product is ‘noncommercial’ under [Section 43(c)(3)(C)], thus barring as a matter of law a claim of dilution by tarnishment under the Trademark Dilution Revision Act.”<sup>1035</sup>

### ***(E) Liability for Cybersquatting***

As codified in Section 43(d) of the Act,<sup>1036</sup> the Anticybersquatting Consumer Protection Act (ACPA) authorizes both in rem and in personam actions in challenges to domain names that allegedly misappropriate trademarks and service marks. If a prior arbitration proceeding under the Uniform Dispute Resolution Policy (UDRP) has resulted in the suspension, transfer, or disabling of a domain name, the ACPA also authorizes what is effectively a mechanism for the domain name registrant to appeal the outcome of the UDRP action by bringing a cause of action for reverse domain name hijacking.<sup>1037</sup>

### **(1) In Rem Actions**

A Virginia federal district court reached a finding of liability as a matter of law in an increasingly rare opinion arising from an in rem action under the ACPA.<sup>1038</sup> The plaintiff successfully demonstrated to the court’s satisfaction its rights to the PRU mark for insurance services, while the domain name at issue was pru.com. Based on the district court’s description of the summary judgment record, the outcome was not seriously in doubt. Specifically: (1) the registrant (who intervened in the case) had no intellectual property rights to PRU as a mark; (2) the registrant was not known as PRU; (3) the registrant had not previously offered goods or services under the PRU mark; (4) the registrant also had not previously used PRU

<sup>1034</sup> See *adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151, 161 (S.D.N.Y. 2022); *Nat’l Acad. of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc.*, 551 F. Supp. 3d 408, 426 (S.D.N.Y. 2021).

<sup>1035</sup> *Petition for Writ of Certiorari at I, Jack Daniel’s Props., Inc. v. VIP Prods. LLC*, No. 21-16969 (U.S. Aug. 5, 2022).

<sup>1036</sup> See 15 U.S.C. § 1125(d) (2018).

<sup>1037</sup> See *id.* § 1114(2)(D)(v).

<sup>1038</sup> See *Prudential Ins. Co. of Am. v. PRU.COM*, 546 F. Supp. 3d 476 (E.D. Va. 2021), *affirmed*, 58 F.4th 785 (4th Cir. 2023).

for any non-commercial or fair use purpose; (5) “[t]he pertinent circumstantial evidence” made clear “that [the registrant] purchased and registered the PRU.COM domain name in order to divert customers away from [the plaintiff] so that [the plaintiff] might then be willing to offer a substantial sum—six figures—to halt this diversion”; (6) the registrant had expressed an interest in receiving such a sum in correspondence with its registrar; (7) the registrant had initially concealed its true identity when registering the domain name; (8) the registrant had registered “over 100” other domain names, suggesting it was a serial cybersquatter; and (9) the plaintiff’s PRU and PRU-formative marks were famous and distinctive.<sup>1039</sup>

## (2) In Personam Actions

One court set forth the following standard test for liability in in personam actions under the ACPA:

[T]o establish a “cybersquatting” claim under the ACPA, a plaintiff must establish that: (1) it has a valid trademark entitled to protection; (2) its mark is distinctive or famous; (3) the defendant’s domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, plaintiff’s mark; and (4) defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit.<sup>1040</sup>

Neither tests like this nor the express text of Section 43(d) offer guidance on whether a transfer of ownership, renewal, change in address or other registration information can effect a “re-registration” of a domain that has been continuously registered in a manner creating potential liability under the ACPA, and the absence of that guidance has produced a circuit split on the issue.<sup>1041</sup> Without controlling authority from the Tenth Circuit, a Colorado federal district court granted the motion for summary judgment of a counterclaim defendant accused of cybersquatting after he acquired the disputed domain name from a third party.<sup>1042</sup> Because there was no dispute that the descriptive mark underlying that accusation had not acquired distinctiveness by the time of its original registration, the viability of the counterclaim plaintiff’s ACPA cause of action depended on whether the transfer of the

<sup>1039</sup> *Id.* at 485–92.

<sup>1040</sup> *Glob. Licensing, Inc. v. Namefind LLC*, 582 F. Supp. 3d 467, 476 (E.D. Mich. 2022).

<sup>1041</sup> *Compare* *Jysk Bed’n Linen v. Dutta-Roy*, 810 F.3d 767, 777 (11th Cir. 2015) (holding “re-registration” of domain name actionable); *Schmidheiny v. Weber*, 319 F.3d 581, 582 (3d Cir. 2003) (same) *with* *GoPets v. Hise*, 657 F.3d 1024, 1031–32 (9th Cir. 2011) (limiting “registration” as used in ACPA to initial registration of a domain name and not to aftermarket sales or acquisitions).

<sup>1042</sup> *See Mehdiyev v. Qatar Nat’l Tourism Council*, 532 F. Supp. 3d 1065 (D. Colo. 2021).

domain name to the counterclaim defendant constituted a new registration. The court answered that question in the negative:

The fact that the statute does not discuss multiple registrations, to this court, supports rather than undermines the conclusion that, consistent with the plain reading of the text, Congress contemplated only a single time of registration.

In fact, courts addressing this issue have referred to these aftermarket sales of domain names as “re-registrations,” but it is not clear why (other than perhaps in the case of expired registrations) they are not simply understood as transfers or updates of registrations. While the transfers of domain names appear to require some coordination with at least registrars, the process does not appear to directly mirror the process of initial registration of a previously unclaimed domain name. The fact that courts are not comfortable calling them registrations, but have developed the extra-textual term “re-registrations” suggests that a re-registration is not, in fact, a registration.<sup>1043</sup>

Having reached that initial conclusion, it held the defendant entitled to prevail as a matter of law.<sup>1044</sup>

Cybersquatting disputes are rarely filed and litigated in state courts. Nevertheless, the Supreme Court of Mississippi had the opportunity to weigh in on one in which the Mississippi Lottery Corporation (MCL) had successfully pursued the transfer of the domain names mslottery.com, mississippilottery.com, mslottery.us, mississippilottery.us, and mississippilottery.org in a prior UDRP proceeding between the parties.<sup>1045</sup> The registrant appealed to a Mississippi trial court, asserting reverse domain name hijacking, while the MCL counterclaimed under the ACPA. The trial court found in favor of the MCL on all issues, in the process affirming the transfer of the disputed domain names and issuing permanent injunctive relief against the registrant.

What might otherwise have been a straightforward case of liability under the ACPA was complicated by the former registrant’s registration of the disputed domain names before legislation authorizing a Mississippi state lottery had been signed into law and well prior to the MLC’s registration of the MISSISSIPPI LOTTERY

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<sup>1043</sup> *Id.* at 1072 (footnote omitted).

<sup>1044</sup> *Id.* at 1073 (“Here, the undisputed facts are that the [counterclaim plaintiff] developed its mark after [the disputed domain name] was registered and now seeks to get around that fact because the registration was transferred. But the statute does not turn on the ownership or time of transfer of domains—it turns on the time of registration. And so [Section 43(d)] does not apply, and [the counterclaim defendant] is entitled to partial summary judgment.”).

<sup>1045</sup> *See Carr v. Miss. Lottery Corp.*, 350 So. 3d 1068 (Miss. 2022).

CORPORATION and MISSISSIPPI LOTTERY marks in the USPTO. Not surprisingly, that led the registrant to assert that the MCL was disqualified from protection under the ACPA because it had not yet used its claimed marks at the time the registrant preemptively registered the domain names. The court, however, noted that the ACPA on its face requires only that a plaintiff's mark be distinctive and not that the mark be distinctive *and* used in commerce for liability to attach to the registration of an imitation of the mark as part of a domain name.<sup>1046</sup> It faulted the registrant's arguments that use (as well as distinctiveness) necessarily was a prerequisite for relief as mistakenly resting on "the traditional principles of trademark infringement, instead of applying cases dealing with anticybersquatting claims under the ACPA," when, in fact, "the ACPA was created to provide a federal solution to the shortcomings of the protections afforded under traditional trademark laws."<sup>1047</sup> The court then affirmed the trial court's finding that the MLC's marks had, in fact, acquired distinctiveness prior to the registrant's acquisition of the disputed names. For one thing, it noted, the subject of a state lottery had been fiercely debated in Mississippi for more than thirty years prior to the registrant's conduct.<sup>1048</sup> For another, "the very act of intentionally copying a mark is evidence of the distinctive nature of the mark."<sup>1049</sup> Finally, and despite the registration of the domain names prior to the MLC's federal applications to register its marks, the court treated as probative of the distinctiveness of the MLC's marks the fact that the USPTO had eventually registered them.<sup>1050</sup>

With the registrant suffering these threshold losses, the litigation's ultimate outcome was a foregone conclusion. There was no doubt the domain names were confusingly similar to the MLC's marks, especially because of evidence in the trial record of actual confusion.<sup>1051</sup> Likewise, that record established the registrant's bad-

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<sup>1046</sup> *Id.* at 1077. Although not expressly referenced or quoted by its opinion, the court was apparently referring to the express text of Section 43(d)(1)(A), which provides in relevant part that:

A person shall be liable in a civil action by the owner of a mark . . . if, that person . . . has a bad faith intent to profit from that mark . . . and . . . registers, traffics in, or uses a domain name that . . . in the case of a mark *that is distinctive at the time of registration of the domain name*, is identical or confusingly similar to that mark.

15 U.S.C. § 1125(d)(1)(A) (2018) (emphasis added).

<sup>1047</sup> *Carr*, 350 So. 2d at 1077.

<sup>1048</sup> *Id.* at 1079.

<sup>1049</sup> *Id.*

<sup>1050</sup> *Id.* ("In the present case, the MLC has federal trademark registrations that create a presumption that its mark was distinctive prior to the date of its issuance.").

<sup>1051</sup> *Id.* at 1080.

faith intent to profit from his actions,<sup>1052</sup> despite his feeble argument that he intended to use the domain names “for political commentary, social critique, and personal counseling to individuals deciding whether to gamble on the lottery in Mississippi.”<sup>1053</sup> Finally, the court found probative the undisputed fact that the registrant had instructed his attorney to contact the MLC with an unsolicited offer to sell the domain names.<sup>1054</sup> The trial court’s finding of a violation of the ACPA therefore was not clearly erroneous.

The Eleventh Circuit similarly affirmed a finding of liability for cybersquatting as a matter of law in a case brought by the owner of the incontestable EUROPEAN WAX CENTER mark for beauty salon services featuring hair removal.<sup>1055</sup> The offending domain names were europawaxcenter.com and euwaxcenter.com, which the counterclaim defendant had registered despite having “never done any work related to the production of beauty products.”<sup>1056</sup> The counterclaim defendant’s response to the counterclaim plaintiff’s ACPA cause of action was unusual: He conceded the validity of the counterclaim plaintiff’s mark and that he had registered his domain names with a bad-faith intent to profit but argued that the district court should have referred the question of whether the domain names and mark were confusingly similar to a jury. The appellate court disagreed, observing that “europawaxcenter” is identical to “europeanwaxcenter” but for two deleted letters, and “euwaxcenter” but for six.”<sup>1057</sup> That was not the end of the counterclaim defendant’s troubles, however, because:

[T]he domain names and the mark all impart essentially the same meaning: waxing services that are European or associated with Europe. To break it down, “waxcenter”—the root phrase common to the mark and each domain name—carries the same meaning across them all, namely a place where waxing services are offered. To this common root the mark adds “european,” while the domain names add “europa” or “eu,” respectively.<sup>1058</sup>

“In short,” the court concluded, “[the counterclaim defendant’s] domain names and [the counterclaim plaintiff’s] mark look almost

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<sup>1052</sup> *Id.* at 1081–82 (“[The registrant] has no intellectual property rights in the domain names. [He] does not identify himself personally by the domain names or call himself Mississippi Lottery. [His] use of the domain names thus far has not been for bona fide offerings of goods or services. Instead, two of the domain names appear to promote the Mississippi Lottery, and three of the domain names have blank landing pages.” (citations omitted)).

<sup>1053</sup> *Id.* at 1082.

<sup>1054</sup> *Id.* at 1083.

<sup>1055</sup> *See* *Boigris v. EWC P&T, LLC*, 7 F.4th 1079 (11th Cir. 2021).

<sup>1056</sup> *Id.* at 1082.

<sup>1057</sup> *Id.* at 1086.

<sup>1058</sup> *Id.*

identical, sound similar when pronounced, and do not substantially differ in meaning. . . . No reasonable juror could reach any other conclusion.”<sup>1059</sup>

A final noteworthy opinion to address an in personam cause of action for cybersquatting denied a dubious motion to dismiss filed by the defendant, which had registered the *dejavueshowgirls.com* domain name, at which it established a page that featured the domain name in a banner presentation and also included links to adult-entertainment websites.<sup>1060</sup> In denying the motion, the court confirmed that the inquiry into whether the disputed domain name was confusingly similar to the plaintiff’s marks—all based on the DE JA VU mark for burlesque shows and bar services—contemplated a simple comparison between the domain name and marks, “rather than an assessment of the context in which each is used or the content of the offending website.”<sup>1061</sup> The results of that comparison favored a finding of liability, as did the plaintiff’s allegations that, as summarized by the court:

(1) Defendant has no intellectual property rights in or to the DEJA VU Family of Marks; (2) Defendant’s Domain Name is essentially identical to Plaintiff’s Mark and does not contain Defendant’s legal name; (3) Plaintiff did not authorize or consent to such use; (4) Defendant’s Domain Name is configured to display pay-per-click advertisements to visitors, which provide links to Adult related entertainment sites; (5) as such, Defendant’s Domain Name is likely to be confused with Plaintiff’s legitimate online location at *dejavu.com* and the *Deja Vu Family of Domains*, and deceive the public; and, (6) Defendant’s website harms Plaintiff’s reputation and the goodwill associated with the DEJA VU Family of Marks by causing customers to associate Plaintiff with the negative qualities of Defendant’s website.<sup>1062</sup>

That some of the plaintiff’s averments were “on information and belief” did not render them any less presumptively true for purposes of the defendant’s motion.<sup>1063</sup>

### ***b. Liability for Passing Off and Reverse Passing Off***

According to the Supreme Court, “[p]assing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his

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<sup>1059</sup> *Id.* at 1088.

<sup>1060</sup> *Glob. Licensing, Inc. v. Namefind LLC*, 582 F. Supp. 3d 467, 476–77 (E.D. Mich. 2022).

<sup>1061</sup> *Id.* at 477.

<sup>1062</sup> *Id.* at 479.

<sup>1063</sup> *Id.* at 480 (“[I]t is understandable that, at this stage, Plaintiff does not have firsthand knowledge of all the facts asserted in its Complaint. However, considering the Complaint’s factual allegations as a whole, pleading of some allegations upon information and belief does not render the pleading entirely ineffectual.”).

own goods or services as someone else's. 'Reverse passing off,' as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own."<sup>1064</sup> Courts evaluating the two torts leaned heavily on these definitions when doing so.

### i. Passing Off

Reported opinions addressing and resolving the merits of claims of passing off were few and far between. In a rare exception to that general proposition, and consistent with the Supreme Court's definition of reverse passing off, a New York federal district court applying the law of that state distinguished between that tort and the misappropriation in the following manner: "Palming off" is selling 'the goods of one manufacturer as those of another,' while misappropriation 'usually concerns the taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property.'"<sup>1065</sup> The court did so in the context of a failed attempt by the plaintiff to secure financing for its cancer-detection technology, in connection with which the plaintiff hired the defendants as consultants. When the consultants allegedly passed the plaintiff's confidential information along to its competitors, the plaintiff accused them of palming off, but it did so unsuccessfully. Instead, the court granted the defendants' motion to dismiss, holding with respect to the plaintiff's complaint that "there is no allegation that defendants sold goods by passing them off as [the plaintiff's]." <sup>1066</sup>

Albeit in dictum a Florida federal district court invoked the tort of passing off when explaining when a defendant's intentional copying of a plaintiff's trade dress was evidence of acquired distinctiveness.<sup>1067</sup> According to it:

[T]he Eleventh Circuit asks whether the alleged copying indicates that a company adopted its trade dress "to take advantage of the popularity of [its competitor's dress] on the market." It's *this* more nefarious variety of passing off—the kind that confuses consumers and exploits a competitor's established goodwill—that trademark law is prepared to prevent.<sup>1068</sup>

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<sup>1064</sup> Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28 (2003).

<sup>1065</sup> Red Mountain Med. Holdings, Inc. v. Brill, 563 F. Supp. 3d 159, 181 (S.D.N.Y. 2021) (quoting ITC Ltd. v. Punchgini, Inc., 880 N.E.2d 852, 858 (N.Y. 2007)).

<sup>1066</sup> *Id.*

<sup>1067</sup> See Vital Pharms., Inc. v. Monster Energy Co., 553 F. Supp. 3d 1180, 1260 (S.D. Fla. 2021).

<sup>1068</sup> *Id.* (quoting FN Herstal SA v. Clyde Armory Inc., 838 F.3d 1071, 1086 (11th Cir. 2016)).

## ii. Reverse Passing Off

A classic reverse passing off scenario—at least as it was alleged by the plaintiff's complaint—led to the denial of a motion to dismiss that complaint.<sup>1069</sup> The plaintiff in question manufactured mold testing devices, one component of which was a single-use collection cassette bearing two of the plaintiff's marks. The defendant was a testing service that distributed the plaintiff's devices to home inspectors and then charged the inspectors to analyze matter collected by the cassettes. Rather than disposing of the cassettes after that single use, the defendant redistributed them to inspectors, first with the plaintiff's marks intact and then with those marks removed. That alleged scenario was enough for the court to hold that the plaintiff had adequately stated a cause of action under the following four-part test: "To state a claim for reverse passing off, a plaintiff must allege that '(1) the good or service originated with the plaintiff; (2) the defendant falsely designated the origin of the good or service; (3) the false designation is likely to cause consumer confusion; [and] (4) the plaintiff was harmed by the defendant's false designation.'"<sup>1070</sup>

In contrast, another plaintiff was far less successful in fending off a motion to dismiss its cause of action for reverse passing off.<sup>1071</sup> The parties provided lawn care and pest control services, and the gravamen of that cause of action was that the lead defendant had marketed its services using a phrase—"Advanced Termite Protection Program"—allegedly originating with the plaintiff and also had distributed promotional materials "includ[ing] an unattributed, verbatim recitation of phrases used in [the plaintiff's] materials."<sup>1072</sup> Noting that "[r]everse passing off occurs when a 'producer misrepresents someone else's goods or services as his own,'"<sup>1073</sup> the court held that the plaintiff had failed to state a claim. "To prevail on a theory of reverse passing off," it explained, "a plaintiff must show: '(1) that the work at issue originated with the plaintiff; (2) that origin of the work was falsely designated by the defendant; (3) that the false designation of origin was likely to cause consumer confusion; and (4) that the plaintiff was harmed by the defendant's false designation of origin.'"<sup>1074</sup> The plaintiff's reliance

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<sup>1069</sup> See *Cole-Parmer Instrument Co. v. Pro. Lab'ys*, 568 F. Supp. 3d 1307 (S.D. Fla. 2021).

<sup>1070</sup> *Id.* at 1316 (alteration in original) (quoting *New Vision Eye Ctr. v. Fla. Eye Inst., PA*, No. 09-14441-CIV-MOORE/SIMONTON, 2010 WL 11602458, at \*2 (S.D. Fla. Mar. 23, 2010)).

<sup>1071</sup> See *Blades of Green, Inc. v. Go Green Lawn & Pest, LLC.*, 598 F. Supp. 3d 348 (D. Md. 2022).

<sup>1072</sup> *Id.* at 353.

<sup>1073</sup> *Id.* at 356 (quoting *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417, 438 (4th Cir. 2010)).

<sup>1074</sup> *Id.* (quoting *Universal Furniture Int'l*, 618 F.3d at 438).



on the defendants' copying of its promotional materials failed as a matter of law to satisfy that test because:

The Complaint does not allege that [the plaintiff] actually produced or performed the goods or services that [the lead defendant] offers through its Advanced Termite Protection Program; instead[,] it alleges that [the plaintiff] originated the name and description that [the lead defendant] uses to market those services. The Lanham Act, however, does not create a cause of action for plagiarism, nor does it guard against the false designation of ideas or communications that may be embodied in any particular good or service. Because the Complaint alleges that [the plaintiff] originated the marketing materials used to advertise [the lead defendant's] work, but not the work itself, it has not stated a claim for reverse passing off.<sup>1075</sup>

Moreover, although the plaintiff's allegations with respect to "Advanced Termite Protection Program" might have supported a cause of action for unfair competition sounding in infringement, those allegations did not support one for reverse passing off.<sup>1076</sup>

### ***c. Liability for False Advertising***

For the most part, courts continued to apply a five-part test for false advertising, which required a demonstration that: (1) the defendant made a false or misleading representation of fact in commercial advertising or promotion about its or the defendant's goods or services; (2) the representation was material in the sense that it was likely to affect consumer purchasing decisions; (3) the representation actually deceived or was likely to deceive consumers; (4) the representation was made in interstate commerce; and (5) the representation damaged or was likely to damage, the plaintiff.<sup>1077</sup> Nevertheless, some courts applied variations on that test, including a Colorado federal district court, which considered a four-factor

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<sup>1075</sup> *Id.* at 356–57 (footnote omitted) (citations omitted).

<sup>1076</sup> *Id.* at 357.

<sup>1077</sup> *See, e.g.,* Bimbo Bakeries USA, Inc. v. Sycamore, 39 F.4th 1250, 1266 (10th Cir. 2022); Lewis v. Acuity Real Est. Servs., LLC, 597 F. Supp. 3d 1154, 1161 (E.D. Mich. 2022), *appeal docketed*, No. 22-1406 (6th Cir. May 6, 2022); TocMail Inc. v. Microsoft Corp., 576 F. Supp. 3d 1220, 1227 (S.D. Fla. 2021), *appeal docketed*, No. 22-10223 (11th Cir. Jan. 18, 2022); Watkins Inc. v. McCormick & Co., 574 F. Supp. 3d 644, 652 (D. Minn. 2021), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022); Upper Deck Co. v. Flores, 569 F. Supp. 3d 1050, 1061 (S.D. Cal. 2021); BHRS Grp. v. Brio Water Tech., Inc., 553 F. Supp. 3d 793, 800 (C.D. Cal. 2021); Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC, 552 F. Supp. 3d 901, 918–19 (N.D. Cal. 2021); Sensitech Inc. v. LimeStone FZE, 548 F. Supp. 3d 244, 261 (D. Mass. 2021), *appeal dismissed sub nom.* Sensitech, Inc. v. Alwash, No. 21-1552, 2021 WL 9167828 (1st Cir. Oct. 18, 2021), *and reconsideration denied*, 581 F. Supp. 3d 342 (D. Mass. 2022). *State ex rel. Rosenblum v. Living Essentials, LLC*, 497 P.3d 730, 741–42 (Or. Ct. App.), *review allowed*, 498 P.3d 297 (Or. 2021).

standard with subparts,<sup>1078</sup> and two in California, the first of which took into account three factors<sup>1079</sup> and the second of which considered six.<sup>1080</sup> Whatever the appropriate test might be, one California federal district court held plaintiffs' averments under it subject to the strict pleading requirements of Rule 9(b) of the Federal Rules of Civil Procedure,<sup>1081</sup> which, on its face, applies only to claims of fraud or mistake.<sup>1082</sup>

## i. False Statements of Fact in Commercial Advertising or Promotion

### (A) *Actionable Statements of Fact*

#### (1) The Existence of Statements in the First Instance

A threshold issue in any false advertising action is whether the defendant has made an objectively verifiable statement of fact. Despite what should be the self-evident nature of that proposition, some plaintiffs asserting direct liability for false advertising fail to accuse their opponents of having themselves made the allegedly

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<sup>1078</sup> See *Otter Prods., LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066, 1077 (D. Colo. 2021) ("To succeed on its False Advertising claim, claim, [the plaintiff] must establish: (1) that defendant made material false or misleading representations of fact in connection with the commercial advertising or promotion of its product; (2) in commerce; (3) that are either likely to cause confusion or mistake as to (a) the origin, association or approval of the product with or by another, or (b) the characteristics of the goods or services; and (4) injure the plaintiff." (quoting *Dig. Ally, Inc. v. Util. Assocs., Inc.*, 882 F.3d 974, 978 (10th Cir. 2018)), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022).

<sup>1079</sup> See *Children's Health Def. v. Facebook Inc.*, 546 F. Supp. 3d 909, 934 (N.D. Cal. 2021) ("To state a false advertising claim under the Lanham Act, a plaintiff must allege 'a false or misleading representation of fact' 'in commercial advertising or promotion' that 'misinterprets the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities.'" (quoting *Prager Univ. v. Google LLC*, 951 F.3d 991, 999 (9th Cir. 2020)), *appeal docketed*, No. 21-16210 (9th Cir. Jul. 21, 2021).

<sup>1080</sup> See *Guardant Health, Inc. v. Natera, Inc.*, 580 F. Supp. 3d 691, 700 (N.D. Cal. 2022) ("A prima facie case under Section 43(a) of the Lanham Act requires the plaintiff to demonstrate that: '(1) the defendant made a false statement either about the plaintiff's or its own product; (2) the statement was made in a commercial advertisement or promotion; (3) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (4) the deception is material, in that it is likely to influence the purchasing decision; (5) the defendant caused its false statement to enter interstate commerce; and (6) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to the defendant, or by lessening of goodwill associated with the plaintiff's product.'" (quoting *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 (9th Cir. 2002)).

<sup>1081</sup> Fed. R. Civ. P. 9(b).

<sup>1082</sup> See *BHRS Grp. v. Brio Water Tech., Inc.*, 553 F. Supp. 3d 793, 799 (C.D. Cal. 2021).

For an additional opinion discussing, but ultimately not deciding, the possible applicability of Rule 9(b) to false advertising claims, see *de Cortes v. Brickell Inv. Realty, LLC*, 546 F. Supp. 3d 1332, 1340 (S.D. Fla. 2021).

false statements at issue. In a case presenting just such a scenario, a New Mexico federal district court dismissed the plaintiffs' false advertising causes of action for failure to state a claim, and the Tenth Circuit declined to disturb that outcome.<sup>1083</sup> Noting that the complaint contained "only conclusory assertions regarding [the] defendants' participation in [the challenged] advertising" and that the exemplars of the advertising reproduced in that document were created by third parties instead of the defendants, the appellate court affirmed the district court's order of dismissal.<sup>1084</sup>

## (2) Puffery

A Florida federal district court explained that:

[M]ere "puffery" is not actionable under the Lanham Act and generally comes in one of two possible forms: "(1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion."<sup>1085</sup>

Although not using the word "puffery," the Tenth Circuit reversed a jury finding of liability against a bakery using the allegedly false tagline "Fresh. Local. Quality."<sup>1086</sup> The gravamen of the plaintiffs' claim was that goods sold in conjunction with the tagline in Utah were not, in fact, produced locally but instead in other states. As the appellate court explained, however, "[t]he problem for [the plaintiff] is that the word 'local' cannot be 'adjudged true or false in a way that . . . admits of empirical verification.'"<sup>1087</sup> It then elaborated on this point in the following manner:

The word is not reducible to the unambiguous factual message that, as [the plaintiff] argues, the underlying product is made locally, let alone that "local" refers to "the state of sale." For one thing, using the word "local" in a marketing campaign, without anything more, can connote a host of ideas. It might mean that a company hires local workers, that it uses local materials, that it is locally based, that it participates in outreach efforts with local organizations, or that it donates money to local causes. Even

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<sup>1083</sup> See *Thornton v. Tyson Foods, Inc.*, 28 F.4th 1016 (10th Cir.), *cert. denied*, 214 L. Ed. 2d 31, 143 S. Ct. 118 (2022).

<sup>1084</sup> *Id.* at 1029.

<sup>1085</sup> *TocMail Inc. v. Microsoft Corp.*, 576 F. Supp. 3d 1220, 1227 (S.D. Fla. 2021) (quoting *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 496–97 (5th Cir. 2000)), *appeal docketed*, No. 22-10223 (11th Cir. Jan. 18, 2022).

<sup>1086</sup> See *Bimbo Bakeries USA, Inc. v. Sycamore*, 39 F.4th 1250 (10th Cir. 2022).

<sup>1087</sup> *Id.* at 1266.

assuming that “local” refers to where a product was made, however, the word lacks any specific objective meaning beyond the general concept it conveys. Definitions of “local” and views about whether something is “local” vary wildly, so the word’s usage in marketing can only communicate [the defendant’s] position that its products are local. The same ambiguity haunts every rival interpretation of the word. Without more, then, the veracity of a locality claim cannot be judged in an empirically verifiable way. Locality is fundamentally subjective.<sup>1088</sup>

With the court rejecting the plaintiff’s argument that bookending “local” with “fresh” and “quality” gave “local” an actionable meaning, the plaintiff’s false advertising claim fell short as a matter of law, even if survey evidence adduced by the plaintiff suggested that some consumers assumed the defendant’s bread was produced in the same state in which it was sold.<sup>1089</sup>

A Michigan federal district court also reached a finding of puffery as a matter of law in an opinion labeling the challenged statements as such.<sup>1090</sup> Those statements were representations that the lead defendant’s referral service helped consumers find the “perfect” real estate agent using a “sophisticated algorithm.”<sup>1091</sup> In an opinion granting the defendants’ motion to dismiss, the court noted that “[w]ords like ‘sophisticated’ and ‘perfect’ are ambiguous and unverifiable”;<sup>1092</sup> “[s]imilarly,” it continued, “the word ‘algorithm,’ defined as ‘a step-by-step procedure for solving a problem or accomplishing some end,’ broadly encompasses every computerized function.”<sup>1093</sup>

### (3) Mere Opinions

Just as puffery is not actionable as false advertising, so too do mere opinions fail to qualify as statements of fact. A dramatic example of that proposition in action came in an opinion from a California federal district court addressing a false advertising dispute between competitors in the “water cooler and related

<sup>1088</sup> *Id.* at 1266–67 (citations omitted) (quoting *Am. Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387, 391 (8th Cir. 2004)).

<sup>1089</sup> *Id.* at 1267–68 (“[The plaintiff’s] survey, which asked consumers about the meaning of ‘local,’ cannot somehow convert the word into a statement of fact. All it can do is juxtapose U.S. Bakery’s own opinion about when something qualifies as ‘local’ with the opinions of its customers. And while they may often differ, it is the very essence of opinions that they differ.”).

<sup>1090</sup> *See Lewis v. Acuity Real Est. Servs., LLC*, 597 F. Supp. 3d 1154 (E.D. Mich. 2022), *appeal docketed*, No. 22-1406 (6th Cir. May 6, 2022).

<sup>1091</sup> *Id.* at 1159.

<sup>1092</sup> *Id.* at 1160.

<sup>1093</sup> *Id.* (quoting *Algorithm*, Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/algorithm>).

hydration products marketplace.”<sup>1094</sup> According to the plaintiff, members of the lead defendant had “engaged in a fraudulent scheme to manipulate Amazon review ratings by enlisting individuals associated with [the defendant’s] management ‘to purchase products for the purpose of leaving a series of negative reviews of [the plaintiff’s] products and post positive reviews of [that defendant’s] own brands of water cooler products on Amazon.”<sup>1095</sup>

In granting a defense motion to dismiss, the court noted that past cases allowing comparable claims to move forward had arisen from allegations that “*the defendant itself, or through its paid agents*, made false statements in commercial advertisements.”<sup>1096</sup> In contrast, it held, “[t]o the extent that [the plaintiff’s] false advertising claim is based upon the content of the allegedly misleading reviews cited in the . . . Complaint, the Court finds that the reviewers’ statements are classic statements of opinion, and, therefore, the reviews are not actionable.”<sup>1097</sup> Dismissal therefore was appropriate because “each of the customer reviews cited in the . . . Complaint contains vague, generalized statements of opinion about the quality of, and the respective reviewers’ experience with, the [plaintiff’s] product—not statements of fact about the product.”<sup>1098</sup>

## ***(B) Actionable Commercial Advertising or Promotion***

### **(1) Opinions Finding Actionable Commercial Advertising or Promotion**

As discussed below, some plaintiffs escaped motions to dismiss grounded in the theory that the moving defendants had not engaged in actionable commercial advertising or promotion. Nevertheless, there were no readily apparent reported opinions reaching actual findings of fact on the issue in plaintiffs’ favor.

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<sup>1094</sup> See *BHRS Grp. v. Brio Water Tech., Inc.*, 553 F. Supp. 3d 793, 797 (C.D. Cal. 2021).

<sup>1095</sup> *Id.* According to the court’s review of the operative pleading:

The focus of the Amended Complaint, according to [the plaintiff], is the alleged practice by [the lead defendant] of enlisting reviewers in an effort to manipulate the Amazon star rating, “not the content of the statements of the reviews themselves.” The Amended Complaint includes additional allegations that: (1) Amazon reviews that appear to be submitted by “verified” purchasers can sometimes be fabricated; (2) consumers rely on the average star rating when making purchases; and (3) [the lead defendant] fabricated Amazon Vine reviews which it then used on its website and the website of Walmart without disclosing (in addition to the fabrication) that the reviewers received free products in exchange for their reviews.

*Id.* at 797–98 (footnotes omitted).

<sup>1096</sup> *Id.* at 800.

<sup>1097</sup> *Id.* at 801.

<sup>1098</sup> *Id.*

## (2) Opinions Declining to Find Actionable Commercial Advertising or Promotion

When Facebook labeled as “False Information” posts by an activist organization concerning the alleged dangers of vaccines, including those for COVID-19, as well as other aspects of modern technology, the organization filed suit against the company and certain other defendants, including two fact-checking organizations, alleging that the labels and fact checks of its claims constituted false advertising.<sup>1099</sup> The California federal district court assigned to the case proved an unreceptive audience for such a theory, and it granted Facebook’s motion to dismiss for want of actionable commercial advertising or promotion. At the outset of its analysis, it defined commercial advertising or promotion as: “(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 or services, and (4) that is sufficiently disseminated to the relevant purchasing public.”<sup>1100</sup> In an application of this standard, the court found the plaintiff’s allegations deficient as a matter of law:

[T]he warning label and fact-checks are not disparaging [the plaintiff’s] “goods or services,” nor are they promoting the “goods or services” of Facebook, the [Centers for Disease Control and Prevention], or the fact-checking organizations . . . . In addition, the warning label and fact-checks do not encourage Facebook users to donate to the CDC, the fact-checking organizations, or any other organization. Instead, the warning label informs visitors to [the plaintiff’s] Facebook page that they can visit the CDC website to obtain “reliable up-to-date information” about vaccines, and the fact-checks identify that a post has been fact-checked, with a link to an explanation of why the post/article has been identified as false or misleading. For example, the . . . fact-check identified in the [complaint] consisted of an explanation of why the title of an article written by [a] third party . . . and posted to [the plaintiff’s] Facebook page was “false.” Thus, all of the alleged misrepresentations—the warning label and the fact-checks—are simply providing information, albeit information with which [the plaintiff] disagrees.<sup>1101</sup>

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<sup>1099</sup> See *Children’s Health Def. v. Facebook Inc.*, 546 F. Supp. 3d 909 (N.D. Cal. 2021), *appeal docketed*, No. 21-16210 (9th Cir. Jul. 21, 2021).

<sup>1100</sup> *Id.* at 934 (quoting *Ariix, LLC v. NutriSearch Corp.*, 985 F.3d 1107, 1115 (9th Cir. 2021)).

<sup>1101</sup> *Id.* at 935.

### (3) Opinions Deferring Resolution of the Actionable-Commercial-Advertising-or-Promotion Inquiry

The highly factual nature of the inquiry into whether a particular communication constitutes actionable commercial advertising or promotion led some courts to reject defendants' motions to dismiss grounded in that inquiry. For example, although successfully prosecuting a motion to dismiss allegations of false advertising on multiple other grounds, two defendants failed to convince the court hearing the case against them that they had not engaged in actionable commercial advertising or promotion.<sup>1102</sup> The allegedly false advertising at issue consisted of claims that the defendants operated a website on which consumers could find the "perfect" real-estate agent by availing themselves of the defendants' "perfect algorithm."<sup>1103</sup> The Michigan federal district court assigned to the case applied the Sixth Circuit's test for commercial speech, namely,

(1) commercial speech; (2) for the purpose of influencing customers to buy the defendant's goods or services; (3) that is disseminated either widely enough to the relevant purchasing public to constitute advertising or promotion within that industry or to a substantial portion of the plaintiff's or defendant's existing customer or client base.<sup>1104</sup>

"[F]rom the allegations in Plaintiff's complaint," the court held, "one could plausibly infer that the statements on [the defendants'] website are part of an 'organized campaign to penetrate the [real-estate referral] market.'"<sup>1105</sup> The statements therefore qualified as commercial advertising or promotion because they were of a nature that "one would expect to find in an advertising campaign. The mere fact that those statements are directed at real-estate consumers rather than real-estate agents does not change their commercial character."<sup>1106</sup>

Another failed motion to dismiss came in an action brought by a long-time office worker in a real estate agency, who, having secured her own license as an agent, was unceremoniously terminated.<sup>1107</sup> The plaintiff's former employer then subjected her to an apparently retaliatory campaign that included (false) announcements of the retirement and the transmittal of demand letters to her and her new employer accusing her of violating a restrictive covenant and

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<sup>1102</sup> See *Lewis v. Acuity Real Est. Servs., LLC*, 597 F. Supp. 3d 1154 (E.D. Mich. 2022), *appeal docketed*, No. 22-1406 (6th Cir. May 6, 2022).

<sup>1103</sup> *Id.* at 1159.

<sup>1104</sup> *Id.* at 1161 (quoting *Grubbs v. Sheakley Grp.*, 807 F.3d 785, 798 (6th Cir. 2015)).

<sup>1105</sup> *Id.* (alteration in original) (quoting *Grubbs*, 807 F.3d at 800).

<sup>1106</sup> *Id.*

<sup>1107</sup> See *de Cortes v. Brickell Inv. Realty, LLC*, 546 F. Supp. 3d 1332 (S.D. Fla. 2021).

stealing its clients. That conduct led the plaintiff to file suit against the former employer for, among other things, false advertising, the averments of which the defendant challenged as failing to establish that its communications constituted action commercial advertising or promotion.

The court's rejection of that argument turned on an application of the following four-factor test:

[F]or statements to fall within the meaning of “advertising or promotion” they must be: (1) commercial speech; (2) by a defendant who is in commercial competition with the plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services; and (4) they must be disseminated sufficiently to the relevant purchasing public to constitute “advertising” or “promotion” within that industry.<sup>1108</sup>

The defendant argued with respect to the first factor that its communications did not qualify as commercial speech because it was merely protecting its rights under the plaintiff's employment agreement, but the court credited the plaintiff's allegations that the defendant had attempted to manipulate the plaintiff's new employer and prospective clients into not doing business with her.<sup>1109</sup> With respect to the third factor, it also accepted as true the plaintiff's accusation that the defendant was motivated by a desire to maintain a “stranglehold” on business within a tower housing both the defendant's office and the plaintiff's residence.<sup>1110</sup> Then, addressing the fourth factor, it rejected the defendant's argument that the challenged communications had not been adequately disseminated, finding instead from the complaint's averments that “the members of the relevant purchasing public are the owners and renters, and prospective owners and renters, of the units in the [tower].”<sup>1111</sup> The defendant's motion to dismiss therefore failed to carry the day.

### ***(C) Falsity***

A California federal district court set forth the varying ways in which a plaintiff could demonstrate the falsity of a defendant's representations in commerce:

“To demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or

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<sup>1108</sup> *Id.* at 1342 (quoting *Matonis v. Care Holdings Grp.*, 423 F. Supp. 3d 1304, 1313 (S.D. Fla. 2019)).

<sup>1109</sup> *Id.*

<sup>1110</sup> *Id.* at 1343.

<sup>1111</sup> *Id.*



confuse consumers.” “However, a false advertising cause of action under the Act is not limited to literal falsehoods; it extends to false representations made by implication or innuendo.” For example, “[a] statement actionable under the Lanham Act may be an affirmatively misleading statement, a partially incorrect statement, or a statement which is untrue as a result of a failure to disclose a material fact.” On the other theory of falsehood, “[c]ourts have also recognized that a statement can be literally true, but nevertheless misleading in the way it is presented.”<sup>1112</sup>

Applications of these standards led to varying results.

### (1) Opinions Finding Falsity

Although findings of literal falsity are generally exceptions to the rule, a Colorado federal district court reached one arising from the defendants’ resale of goods originally produced by the plaintiffs.<sup>1113</sup> The gravamen of the plaintiffs’ false advertising cause of action was that the defendants had inaccurately represented to consumers that the goods sold by the defendants on Amazon were “new” and covered by the plaintiffs’ warranty. In fact, the warranty protection at issue applied only to goods distributed through the plaintiffs’ authorized sellers, a circumstance that, under Amazon’s policies, precluded the goods from qualifying as new. “Because [the defendants] represented that [their] products are covered by the [plaintiffs’] Warranty when those products are, in fact, not covered by the [plaintiffs’] Warranty,” the court held in granting the plaintiffs’ motion for summary judgment, “[the defendants] made literally false or misleading statements.”<sup>1114</sup>

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<sup>1112</sup> Upper Deck Co. v. Flores, 569 F. Supp. 3d 1050, 1064 (S.D. Cal. 2021) (alterations in original) (first quoting *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); then quoting *PhotoMedex, Inc. v. Irwin*, 601 F.3d 919, 932 (9th Cir. 2010); then quoting *Skil Corp. v. Rockwell Int’l Corp.*, 375 F. Supp. 777, 783 n.11 (N.D. Ill. 1974); and then quoting *U-Haul Int’l, Inc. v. Jartran, Inc.*, 522 F. Supp. 1238, 1247 (D. Ariz. 1981), *aff’d*, 681 F.2d 1159 (9th Cir. 1982)); *see also* *Guardant Health, Inc. v. Natera, Inc.*, 580 F. Supp. 3d 691, 700 (N.D. Cal. 2022) (“[T]o ‘demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers.’” (quoting *Southland Sod Farms*, 108 F.3d at 1139); *TocMail Inc. v. Microsoft Corp.*, 576 F. Supp. 3d 1220, 1227 (S.D. Fla. 2021) (“The false or misleading element is satisfied if ‘the challenged advertisement is literally false, or if the challenged advertisement is literally true, but misleading.’” (quoting *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242, 1247 (11th Cir. 2002))).

<sup>1113</sup> *See* *Otter Prods., LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066 (D. Colo. 2021), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022).

<sup>1114</sup> *Id.* at 1077.

## (2) Opinions Declining to Find Falsity

In a dispute between purveyors of pain-relief patches, the plaintiff, whose patches were prescription strength, accused one of two defendants of misleadingly representing that its patches were of the same strength and therefore had FDA approval to be on the market.<sup>1115</sup> One basis of that accusation was a television commercial in which a physician recommended the defendant's patch to an apparent patient asking what he should use for back pain. As the court concluded, however, the commercial did not expressly compare the parties' patches, an omission that led it to grant the defendant's motion to dismiss for failure to state a claim.<sup>1116</sup>

An additional opinion finding no falsity as a matter of law did so on a defense motion for summary judgment.<sup>1117</sup> The challenged statements at issue related to the efficacy of a cybersecurity software product sold by the defendant under the SAFE LINKS mark. Those statements consisted in salient part of the following: (1) "[w]ith Safe Links, we are able to protect users right at the point of click by checking the link for reputation and triggering detonation if necessary"; (2) [t]he ATP Safe Links feature proactively protects your users if they click . . . a [dangerous] link" with the further representation that "protection remains every time they click the link, so malicious links are dynamically blocked while good links can be accessed"; and (3) "Safe Links will proactively protect your users every time they click a link, ensuring malicious links are dynamically blocked even if they are changed after the message has been received."<sup>1118</sup> The plaintiff averred that the representations were literally false because they assured consumers that the product provided effective protection against a certain type of malicious links while the defendant's internal communications reflected awareness among its personnel that some vulnerabilities might exist. The court rejected that argument as a matter of law, holding that:

Upon review of all of the ads in their full context, the Court finds that the allegedly deceptive messages are not literally false because they are ambiguous. Claims for literal falsity must fail if "the statement can reasonably be understood as conveying different messages."

In this case, each of the ads at issue reasonably could be interpreted in multiple ways. One possible interpretation, for

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<sup>1115</sup> See *Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC*, 552 F. Supp. 3d 901 (N.D. Cal. 2021).

<sup>1116</sup> *Id.* at 921.

<sup>1117</sup> See *TocMail Inc. v. Microsoft Corp.*, 576 F. Supp. 3d 1220 (S.D. Fla. 2021), *appeal docketed*, No. 22-10223 (11th Cir. Jan. 18, 2022).

<sup>1118</sup> *Id.* at 1225.

example, is that the ads describe at a basic level what Safe Links does—it blocks malicious links by deploying both its reputation and detonation components. This occurs at the time a user clicks on the link rather than when the message is sent. In other words, every time a user clicks on a link it triggers both components of Safe Links.<sup>1119</sup>

Other statements in the defendant’s advertising indicating that the SAFE LINKS product would mitigate malicious content and help prevent users from accessing harmful websites reinforced that ambiguity, as did statements that “statements suggesting that Safe Links’ protection is variable depending on a user’s settings,” and at least one disclaimer of 100% effectiveness.<sup>1120</sup> As a final consideration, the court noted that “[r]elevant here is the fact that [the defendant] is promoting a cybersecurity service to business enterprise customers, with the intended audience consisting of IT professionals well-versed in the cybersecurity industry,” an audience apparently not prone to mistaking advertising such as the defendant’s for literally true representations.<sup>1121</sup>

### (3) Opinions Deferring Resolution of the Falsity Inquiry

As always, courts proved generally unwilling to resolve the question of falsity at the pleadings stage of the cases before them, and several therefore declined to dismiss causes of action for failure to state claims.<sup>1122</sup> One such disposition came in a case in which the plaintiff manufactured trading cards, held exclusive licensing agreements with various professional athletes, including Michael Jordan, and maintained its own portfolio of registered marks.<sup>1123</sup> It accused the defendant of having promoted trading cards bearing counterfeit imitations of its marks and Jordan’s image through the representation that the cards were “facsimile reprint[s],” a

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<sup>1119</sup> *Id.* at 1228 (quoting *Zoller Lab’s, LLC. v. NBTY, Inc.*, 111 F. App’x 978, 983 (10th Cir. 2004)).

<sup>1120</sup> *Id.* at 1229.

<sup>1121</sup> *Id.*

<sup>1122</sup> *See, e.g., Sensitech Inc. v. LimeStone FZE*, 548 F. Supp. 3d 244, 261 (D. Mass. 2021) (“[The counterclaim plaintiffs] assert that [the counterclaim defendant] marketed its products in a misleading manner by advertising their equipment as new and properly-tested but apparently selling to [the lead counterclaim plaintiff] equipment that was recycled and defective. [The counterclaim plaintiffs] contend that, as a result, [the counterclaim defendant] unknowingly overcharged its downstream customers for recycled equipment and that ultimately damaged its business and reputation. Those allegations, taken as true, plausibly state a claim under the Lanham Act for false advertising.”), *appeal dismissed sub nom. Sensitech, Inc. v. Alwash*, No. 21-1552, 2021 WL 9167828 (1st Cir. Oct. 18, 2021), and *reconsideration denied*, 581 F. Supp. 3d 342 (D. Mass. 2022).

<sup>1123</sup> *See Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050 (S.D. Cal. 2021).

description conferred upon them by a third-party card grading service before the third party withdrew it. According to the defendant, the accuracy of the representation when made precluded as a matter of law a finding of falsity. The court disagreed, and it therefore denied the defendant's motion to dismiss:

[I]t appears Plaintiff may be relying on a false statement that is literally true, but nevertheless misleading in the way it is presented. The [complaint] alleges that Defendant's sale of [Plaintiff's] trading cards as a "Facsimile Reprint" creates the false impression that [Plaintiff] sells reprinted versions of its trading cards, which it did not permit, consent, or approve, and that the trading cards are likely to mislead or confuse consumers into believing that [Plaintiff] endorses these counterfeits, when, in fact, they do [sic] not.<sup>1124</sup>

"On this theory," the court concluded, "Plaintiff has sufficiently alleged a false statement."<sup>1125</sup>

A similar outcome transpired in a case in which the manufacturer of prescription-strength pain-relief patches challenged representations made by a manufacturer of patches that did not require a prescription.<sup>1126</sup> One of the challenged representations was the phrase "MAXIMUM STRENGTH" on the defendant's packaging, which the defendant sought to immunize from liability by pointing to a disclaimer reading "available without a prescription."<sup>1127</sup> Another was the statement "apply for 8 hours," which the plaintiff claimed misleadingly communicated that the defendant's patches would both continuously adhere to users' bodies and be effective for the same period of time and which the defendant defended on the theory that it did not say "how long the product adheres to the skin or if the strength of the product remains effective for all eight hours."<sup>1128</sup> A final set of alleged misrepresentations came in social media posts by the defendant advising readers that the four percent lidocaine content of the defendant's patches was comparable to the five percent content of the plaintiff's patches and that the only difference between the two was that the defendant's patches were cheaper. In each, the court concluded that the plaintiff had sufficiently alleged falsity to get past the pleadings stage of its case.<sup>1129</sup>

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<sup>1124</sup> *Id.* at 1064.

<sup>1125</sup> *Id.*

<sup>1126</sup> *See* Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC, 552 F. Supp. 3d 901 (N.D. Cal. 2021).

<sup>1127</sup> *Id.* at 920.

<sup>1128</sup> *Id.* at 921.

<sup>1129</sup> *Id.* at 920–22.

Another case arising in the medical space also produced a failed motion to dismiss.<sup>1130</sup> The counterclaim defendant pursuing that motion manufactured a test for diagnosing colorectal cancer, the effectiveness of which the counterclaim defendant represented to consumers had been confirmed by a peer-reviewed study authored by two faculty members of the Harvard Medical School and by five of the counterclaim defendant's personnel. Although acknowledging past authority immunizing accurate scholarly reports of properly conducted scientific studies from liability for false advertising,<sup>1131</sup> the court held that inapplicable under two circumstances, namely, if an inaccurate description of such a report has been incorporated into conventional promotional materials or if the underlying study itself was fraudulently conducted. Because the counterclaim plaintiff's allegations of falsity rested on both of those theories, and because the allegations themselves were plausible, the court declined to grant the counterclaim defendant's motion to dismiss.<sup>1132</sup>

## ii. Actual or Likely Deception

The prerequisite for liability for false advertising of actual or likely deception proved little problem at the pleadings stage of cases,<sup>1133</sup> and several plaintiffs satisfied it at the proof stage as well. As a threshold matter, numerous courts recognized that a successful showing of a literally false representation by a defendant presumptively satisfied this requirement, thereby obviating further showings on the matter.<sup>1134</sup> Nevertheless, a plaintiff's ability to avail itself of a presumption of actual or likely deception because of its adversary's literally false representations obviously does not preclude it from making such a showing as a factual matter. For example, one pair of plaintiffs demonstrated to the satisfaction of the court assigned to their case that the defendants' description of

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<sup>1130</sup> See *Guardant Health, Inc. v. Natera, Inc.*, 580 F. Supp. 3d 691 (N.D. Cal. 2022).

<sup>1131</sup> See *ONY, Inc. v. Cornerstone Therapeutics, Inc.*, 720 F.3d 490, 498 (2d Cir. 2013) (holding "conclusions from non-fraudulent data, based on accurate descriptions of the data and methodology underlying those conclusions, [and] on subjects about which there is legitimate ongoing scientific disagreement . . . not grounds for a claim of false advertising under the Lanham Act").

<sup>1132</sup> *Guardant Health*, 580 F. Supp. 3d at 216–17.

<sup>1133</sup> See *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050, 1065 (S.D. Cal. 2021) ("Here, the alleged false statement is not literally false; however, the [complaint] alleges that Defendant's conduct will deceive consumers who wish to purchase [Plaintiffs'] products and deceive consumers by misrepresenting the nature, characteristic, qualities or origin of Defendant's products and/or [Plaintiffs'] . . . authorized products. Therefore, Plaintiff has alleged the third factor. Accordingly, the Court DENIES Defendant's motion to dismiss the cause of action under [Section 43(a)(1)(B)].") (citations omitted).

<sup>1134</sup> See, e.g., *Otter Prods., LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066, 1077 (D. Colo. 2021) ("Because [the defendants] made literally false statements, the third element is presumed."), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022).

the goods they sold on Amazon as new and under warranty was literally false.<sup>1135</sup> Although successfully invoking the presumption, the plaintiffs also adduced survey evidence that “more than 80% of respondents” expected goods described in such a manner “to have been inspected pursuant to the manufacturer’s requirements, to have been handled according to the manufacturer’s quality controls, and to have been shipped according to manufacturer requirements.”<sup>1136</sup> “More than half of the respondents,” the court continued, “indicated that they would leave a negative review for [the plaintiffs] if the product arrived damaged or defective.”<sup>1137</sup>

In contrast, a different federal district court was more skeptical of arguable proof of actual deception after rejecting the plaintiffs’ claims of literal falsity.<sup>1138</sup> That evidence consisted of a question submitted by a customer to the defendant raising a possible security concern with the defendant’s software, which the plaintiff claimed had been promoted through false representations that the software addressed the concern. Even when coupled with the defendant’s responsive talking points, the court held, the customer inquiry “does not show any customer reaction or otherwise show the customer was deceived into thinking that [the defendant’s] product provides foolproof protection . . . .”<sup>1139</sup> With the plaintiff having failed to adduce any other evidence or testimony of deception, it could not prevail under the theory that the advertising was literally true but misleading in context.<sup>1140</sup>

### iii. Materiality

The issue of materiality played a leading role in few reported opinions over the past year, and, for the most part, plaintiffs had little difficulty overcoming it as a potential obstacle to liability. For example, having successfully demonstrated that the descriptions of resold goods as new and under warranty was literally false, two plaintiffs with equal success relied on survey evidence to establish the materiality of those descriptions to consumers.<sup>1141</sup> Specifically, the court credited their showing that 85% of respondents reported that they were either “much more likely” or “somewhat more likely”

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<sup>1135</sup> *See id.*

<sup>1136</sup> *Id.*

<sup>1137</sup> *Id.* at 1077–78.

<sup>1138</sup> *See* TocMail Inc. v. Microsoft Corp., 576 F. Supp. 3d 1220 (S.D. Fla. 2021), *appeal docketed*, No. 22-10223 (11th Cir. Jan. 18, 2022).

<sup>1139</sup> *Id.* at 1231.

<sup>1140</sup> *Id.*

<sup>1141</sup> *See* Otter Prods., LLC v. Triplenet Pricing Inc., 572 F. Supp. 3d 1066 (D. Colo. 2021), *reconsideration denied*, No. 19-cv-00510-RMR-MEH, 2022 WL 18533283 (D. Colo. Feb. 3, 2022).

to purchase goods covered by a manufacturer's warranty.<sup>1142</sup> With the defendants having failed to place the plaintiffs' showing into dispute, the plaintiffs were entitled to summary judgment on the issue.<sup>1143</sup>

#### iv. Interstate Commerce

As usual, the requirement for a finding of liability for false advertising under federal law that the challenged statements be disseminated in interstate commerce was not the subject of much judicial attention. Nevertheless, one defendant, a Miami-based real estate agency accused of circulating false representations about a competitor living in the same tower in which the defendant was based, claimed in a motion to dismiss that the parties' dispute did not rise to a level affecting interstate commerce.<sup>1144</sup> The complaint, however, recited that the defendant "represent[ed] clients in and out of Florida in the negotiation of the purchase or sale of property" and had made "false and misleading representations to individuals and entities involved in interstate commerce and these false and misleading representations affect interstate commerce."<sup>1145</sup> The court therefore denied the motion to dismiss by holding that "[a] reasonable inference—at least at this stage—is that these 'unnamed customers and prospective customers' are out-of-state clients that purchased or rented property in the [tower]. Plaintiff therefore satisfies the 'in commerce' requirement."<sup>1146</sup>

#### v. Damage and Causation

One court did not definitively resolve the inquiry into whether the plaintiff before it had suffered damage caused by the defendant, doing so by denying a defense motion for summary judgment in a case in which the parties directly competed in the market for pepper.<sup>1147</sup> The gravamen of the plaintiff's complaint was that, during a trial of its pepper with Walmart, the defendant diminished the quantum of spice in its tins without either reducing the size of the tins themselves or adequately disclosing the alleged shortfall of pepper as the cause of a concomitant. According to the plaintiff, the defendant's actions had suppressed sales of the plaintiff's pepper to the point that Walmart discontinued its sale once the trial had ended. In rejecting the defendant's argument that, as a matter of

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<sup>1142</sup> *Id.* at 1077.

<sup>1143</sup> *Id.*

<sup>1144</sup> *See de Cortes v. Brickell Inv. Realty, LLC*, 546 F. Supp. 3d 1332 (S.D. Fla. 2021).

<sup>1145</sup> *Id.* at 1343 (alteration in original).

<sup>1146</sup> *Id.* at 1343–44.

<sup>1147</sup> *See Watkins Inc. v. McCormick & Co.*, 574 F. Supp. 3d 644 (D. Minn. 2021), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022).

law, no causal relationship existed between the challenged conduct and any damage suffered by the plaintiff, the court first credited survey results proffered by the plaintiff to the effect “1) that [the defendant’s] reduced-volume tins likely deceived consumers; and 2) that the deception was material to consumer buying decisions.”<sup>1148</sup>

Having thus found a factual dispute with respect to damage, the court next found that Walmart’s concerns about the price of the plaintiff’s pepper during the trial did not necessarily dispose of the plaintiff’s claim that the defendant’s conduct had not also played a role in Walmart’s decision. Noting that the parties were direct competitors, it held that:

[A]lthough Walmart indicated the test failed due to lower than expected sales, that does not mean that [the defendant’s] conduct did not impact [the plaintiff’s] sales. Further, even though Walmart indicated that [the plaintiff’s] black pepper was priced too high, [the defendant’s] conduct likely only exacerbated this concern by making [the plaintiff’s] tins appear even more expensive comparatively.<sup>1149</sup>

The defendant’s bid for nonliability as a matter of law therefore failed for that additional reason.

#### ***d. Violations of Persona-Based Rights Under Federal and State Law***

##### **i. Opinions Finding Violations of Persona-Based Rights**

Substantive discussions of successful assertions of persona-based rights were largely absent from reported opinions.

##### **ii. Opinions Declining to Find Violations of Persona-Based Rights**

A slow-moving train wreck arising from the break-up between a government watchdog organization and its founder reached an apparent final resolution—at least of the founder’s claim of false endorsement under Section 43(a).<sup>1150</sup> The gravamen of that claim was that the organization had distributed a fundraising newsletter identifying the founder as the organization’s “Chairman and General Counsel,”<sup>1151</sup> after the founder had either been forced out of the organization (according to the organization) or departed

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<sup>1148</sup> *Id.* at 657.

<sup>1149</sup> *Id.* at 658.

<sup>1150</sup> See *Klayman v. Jud. Watch, Inc.*, 6 F.4th 1301 (D.C. Cir. 2021), *cert. denied*, 143 S. Ct. 57 (2022), *rehearing denied*, 143 S. Ct. 57 (2022).

<sup>1151</sup> *Id.* at 1307.



voluntarily to pursue a failed political campaign (according to the founder). As the D.C. Circuit pointed out in affirming the grant of a defense motion for summary judgment, the founder had reviewed and approved the newsletter prior to his departure; indeed, he had edited other portions of that document. This meant that “[t]here was no genuine dispute of material fact that [the founder] authorized the use of his name in the newsletter, so it was neither a false endorsement nor a false advertisement.”<sup>1152</sup> The newsletter’s distribution may have taken place after the founder’s formal departure from the organization, but the founder’s reliance on that circumstance “ignores that the Lanham Act focuses on ‘false or misleading statements of fact *at the time they were made.*’”<sup>1153</sup> The district court therefore had properly granted summary judgment of nonliability because “[w]hen [the organization] wrote the newsletter identifying [the founder] as ‘Chairman and General Counsel,’ [he] *was* the Chairman and General Counsel. His subsequent resignation does not render the newsletter a false endorsement or advertisement.”<sup>1154</sup>

Additional claims of false endorsement under Section 43(a) failed as a matter of law in a case in which forty-three models objected to editorial commentary and photographs on the website of *Vogue* of runway events at which they appeared.<sup>1155</sup> Coverage by *Vogue* ordinarily might be considered a good thing, but the plaintiffs objected to the appearance on some of the pages in which they were featured of links to another site at which visitors could purchase apparel the models had worn in their runway appearances. Some of those links identified the operator of the second site, Moda Operandi, by name, while others simply were labeled “SHOP THIS LOOK.” In some instances, visitors to Moda Operandi’s website through the links encountered runway photographs of the plaintiffs as they appeared on the *Vogue* website, but some of the plaintiffs were unrecognizable either because they were depicted from behind or in crowds or because Moda Operandi had truncated the photographs so that their faces did not appear.<sup>1156</sup>

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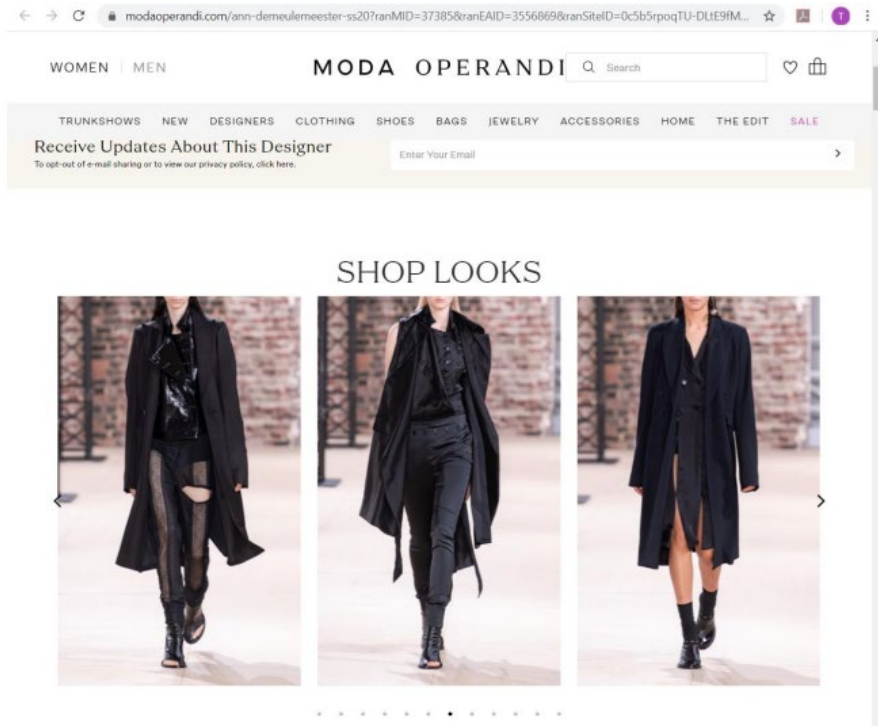
<sup>1152</sup> *Id.* at 1315.

<sup>1153</sup> *Id.* (quoting *Newcal Indus. v. Ikon Off. Sol.*, 513 F.3d 1038, 1053 (9th Cir. 2008)).

<sup>1154</sup> *Id.*

<sup>1155</sup> *See* *Champion v. Moda Operandi, Inc.*, 561 F. Supp. 3d 419 (S.D.N.Y. 2021).

<sup>1156</sup> *Id.* at 441.



According to the plaintiffs, the links to Moda Operandi's site constituted false representations that the plaintiffs had endorsed its commercial activities, and they therefore asserted a claim of false endorsement under Section 43(a) in the Southern District of New York against both *Vogue's* parent corporation and Moda Operandi.

Weighing the defendants' motions to dismiss, the court held as an initial matter that:

To state a claim for false endorsement, a plaintiff must allege four things: that the defendant "(1) in commerce, (2) made a false or misleading representation of fact (3) in connection with goods or services (4) that is likely to cause consumer confusion as to the origin, sponsorship, or approval of the goods or services."<sup>1157</sup>

With the adequacy of the plaintiffs' averments under the first and third of those required showings not in dispute, the court's disposition of the motions turned on the second and fourth requirements:

Courts in the Second Circuit typically weigh the eight *Polaroid* factors to determine whether there is a likelihood of confusion. Because the *Polaroid* factors were never intended to be used in false endorsement cases, not every factor is

<sup>1157</sup> *Id.* at 436 (quoting *Burck v. Mars, Inc.*, 571 F. Supp. 2d 446, 454 (S.D.N.Y. 2008)).

relevant to the analysis of a pleading asserting such a claim. In a false endorsement case, only six of the eight factors are potentially relevant: (1) the plaintiff's level of recognition, (2) similarity of the plaintiff's likeness to the likeness used by the defendant, (3) actual confusion, (4) the bad faith of the defendant in adopting the mark, (5) sophistication of consumers, and (6) proximity of the marks—the “mark” in this case being the plaintiff's face.<sup>1158</sup>

The court then disposed of the sixth factor “because, in a false endorsement case, the plaintiffs are ‘selling’ one thing—their reputations—and defendants are selling something entirely different—in this case, on-line ‘magazines’ and designer clothing,” leaving only the first five for consideration.<sup>1159</sup>

Although acknowledging that “Lanham Act claims often survive motions to dismiss,”<sup>1160</sup> the court then rejected as a matter of law the proposition that liability could arise from those links on the *Vogue* website labeled “SHOP THIS LOOK,” holding that “[t]he only inference that can plausibly be drawn from the pictures of Plaintiffs containing a ‘Shop This Look’ link is that Plaintiffs are associated or affiliated with the clothes they modeled and/or the designers who created them.”<sup>1161</sup> “But Plaintiffs,” it concluded, “do not complain of that—and for good reason. Plaintiffs were employed by the designers to model their clothing.”<sup>1162</sup> The court then dismissed claims against Moda Operandi brought by those of those plaintiffs whose truncated photographs were unrecognizable on Moda Operandi's website, holding that “the misappropriation of a completely anonymous face [cannot] form the basis for a false endorsement claim, because consumers would not infer that an unknown model was ‘endorsing’ a product.”<sup>1163</sup> Finally, it dismissed the complaint of a plaintiff alleged to be a “newcomer” to the industry because she had failed to allege “any facts from which a reasonable factfinder could infer that her face would be recognizable to the general public.”<sup>1164</sup>

The court then turned to a separate issue raised by the plaintiff's complaint, which was whether those plaintiffs domiciled outside of New York were entitled to advance claims to protect their personas under the statutory cause of action recognized by that state.<sup>1165</sup> The court answered that question in the negative, observing that “[i]t is

<sup>1158</sup> *Id.* at 437 (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

<sup>1159</sup> *Id.*

<sup>1160</sup> *Id.*

<sup>1161</sup> *Id.* at 438.

<sup>1162</sup> *Id.*

<sup>1163</sup> *Id.* at 440 (quoting *Electra v. 59 Murray Enters.*, 987 F.3d 233, 258 (2d Cir. 2021)).

<sup>1164</sup> *Id.* at 442.

<sup>1165</sup> See N.Y. Civ. Rights Law § 51.

absolutely and indisputably the case that an individual who does not reside in New York cannot bring a claim under New York's Right of Publicity Law.”<sup>1166</sup> Moreover, “[t]he mere fact that a majority of their modeling work takes place in New York is not sufficient to establish domicile, when the plaintiffs reside elsewhere.”<sup>1167</sup> Accordingly, the court concluded, “the New York State right of publicity law claims brought by the . . . non-resident plaintiffs are dismissed with prejudice.”<sup>1168</sup>

Another persona-based claim failed under Illinois law.<sup>1169</sup> In the appeal producing that outcome, Seventh Circuit was unimpressed with the plaintiff's assertion that the sale of mailing lists containing her contact information—harvested from her subscription to the defendant's *Good Housekeeping* magazine—violated her right of publicity under an Illinois statute providing that “[a] person may not use an individual's identity for commercial purposes during the individual's lifetime without having obtained previous written consent.”<sup>1170</sup> Affirming the dismissal of the plaintiff's case for failure to state a claim, the court of appeals noted that the plaintiff did not

allege that [the defendant] solicited mailing list purchasers by publicizing her information. She did not allege prospective mailing list purchasers were able to see her or any other subscribers' information, in whole or part, prior to their purchase. She also did not allege her name was used to sell or promote the mailing lists themselves. Instead, [she] alleged that her identity was included as part of the product sold.<sup>1171</sup>

That phrasing of the plaintiff's case proved fatal under a requirement of the statute that a defendant's conduct be for a “commercial purpose,”<sup>1172</sup> which in turn required proof that that conduct occur with the offering for sale or sale of a product, merchandise, goods, or services.<sup>1173</sup> Because the plaintiff's identity was not revealed until after the consummation of the sale of her information, it could not have been used to make the sale in the sense required by the statute.<sup>1174</sup>

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<sup>1166</sup> *Champion*, 561 F. Supp. 3d at 443.

<sup>1167</sup> *Id.* at 444.

<sup>1168</sup> *Id.*

<sup>1169</sup> *See* *Huston v. Hearst Commc'ns, Inc.*, 53 F.4th 1097 (7th Cir. 2022).

<sup>1170</sup> 765 Ill. Comp. Stat. 1075/30(a).

<sup>1171</sup> *Huston*, 53 F.4th at 1100.

<sup>1172</sup> *Id.* at 1099 (“To state a claim for a violation of [the statute], the plaintiff must allege: (1) an appropriation of the plaintiff's identity, (2) without the plaintiff's written consent, and (3) for defendant's commercial purpose.”).

<sup>1173</sup> *Id.* at 1100.

<sup>1174</sup> *Id.* at 1101–02.

The court made equally short work of several backup arguments advanced by the plaintiff. One was that the defendant had impermissibly used her contact information to sell the *Good Housekeeping* subscription that the plaintiff herself had purchased, which the court rejected by holding that “[t]he stumbling block for [the plaintiff’s] argument is that her identity was not used to sell her a *Good Housekeeping* subscription or held out in connection with that sale. [Her] giving her name and other identifying information to [the defendant] for purposes of subscribing to the magazine does not count.”<sup>1175</sup> Another was that the sale of her contact information unlawfully suggested that she endorsed *Good Housekeeping*, which fell short because her complaint failed “plausibly [to] suggest that [the defendant’s] commercial goal in holding out its customer mailing lists is to promote its own magazines.”<sup>1176</sup> The court therefore affirmed the dismissal of the complaint in its entirety.

A complaint asserting a persona-based cause of action sounding in an alleged violation of the New York right of publicity statute<sup>1177</sup> met a similar fate.<sup>1178</sup> Having been convicted of murdering his father and attempting to murder his mother, the lead plaintiff and—improbably enough—his mother sought to recover for the defendant’s production and broadcast of a film depicting partially fictionalized versions of the events surrounding the crime and its aftermath, including the successful criminal prosecution of the lead plaintiff; they also objected to the defendant’s unauthorized use of their personas to promote the film. Although the trial court denied the parties’ cross-motions for summary judgment, a New York appellate panel took a different view of the record, holding that the defendant’s film qualified for a dispositive exception to liability:

[C]ourts have recognized that the [plaintiff’s statutory causes of action] “do not apply to reports of newsworthy events or matters of public interest,” even if the reports were produced with profit in mind. Newsworthiness is given a broad definition and “includes not only descriptions of actual events,” but also descriptions of “political happenings, social trends or any subject of public interest.” It is therefore clear that “many types of artistic expressions, including literature, movies and theater” whether intended as entertainment or not, can be newsworthy and can further the “strong societal

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<sup>1175</sup> *Id.*

<sup>1176</sup> *Id.* at 1104.

<sup>1177</sup> N.Y. Civ. Rights Law § 51. The plaintiff also asserted a claim under the New York right of privacy statute, *id.* § 50, which the court evaluated (and dismissed) using much the same analysis.

<sup>1178</sup> See *Porco v. Lifetime Ent. Servs., LLC*, 150 N.Y.S.3d 380 (App. Div.), *appeal dismissed*, 177 N.E.3d 589 (N.Y. 2021).

interest in facilitating access to information that enables people to discuss and understand contemporary issues.”<sup>1179</sup>

Although acknowledging that “the newsworthy and public concern exception does not apply where the newsworthy or public interest aspect of the images at issue is merely incidental to its commercial purpose,”<sup>1180</sup> the court determined that the defendant’s conduct in producing and promoting its film did not fall within that exception to the exception. It therefore held that the trial court had improperly denied the defendant’s motion for summary judgment.<sup>1181</sup>

### iii. Opinions Deferring Resolution of Claims of Violations of Persona-Based Rights

As always, several motions to dismiss assertions of violations of persona-based rights fell short of the mark.<sup>1182</sup> One was filed in a case in which the plaintiff, a manufacturer of sports trading cards and a licensee of Michael Jordan’s right of publicity, accused the defendant of selling cards featuring unauthorized copies of Jordan’s image, name, and signature.<sup>1183</sup> The defendant challenged the adequacy of the plaintiff’s complaint under the incidental use defense, which the court held was a cognizable one under California law; “[t]he rationale underlying this doctrine,” it explained, “is that an incidental use has no commercial value, and allowing recovery to anyone briefly depicted or referred to would unduly burden

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<sup>1179</sup> *Id.* at 383–84 (first quoting *Porco v. Lifetime Ent. Servs., LLC*, 47 N.Y.S.3d 769, 771 (Sup. Ct. App. Div. 2017); then quoting *Messenger ex rel. Messenger v. Gruner + Jahr Printing & Publ’g*, 727 N.E.2d 549, 552 (N.Y. 2000)); and then quoting *Foster v. Svenson*, 7 N.Y.S.3d 96, 101 (Sup. Ct. App. Div. 2015)).

<sup>1180</sup> *Id.* at 384.

<sup>1181</sup> The court did so in the face of the plaintiffs’ claims that the film had taken liberties with the facts depicted in it. As the court explained:

The film . . . presents a broadly accurate depiction of the crime, the ensuing criminal investigation and the trial that are matters of public interest. More importantly, the film makes no effort to present itself as unalloyed truth or claim that its depiction of plaintiffs was entirely accurate, instead alerting the viewer at the outset that it is only “[b]ased on a true story” and reiterating at the end that it is “a dramatization” in which “some names have been changed, some characters are composites and certain other characters and events have been fictionalized.” In our view, the foregoing satisfied defendant’s initial burden of showing that the film addressed matters of public interest through a blend of fact and fiction that was readily acknowledged, did not mislead viewers into believing that its related depictions of plaintiffs was true and was not, as a result, “so infected with fiction, dramatization or embellishment that it cannot be said to fulfill the purpose of the newsworthiness exception.”

*Id.* at 386 (quoting *Messenger*, 727 N.E.2d at 58).

<sup>1182</sup> *See, e.g., Griner v. King*, 568 F. Supp. 3d 978, 996 (N.D. Iowa 2021) (denying motion to dismiss common-law cause of action for misappropriation of another’s name or likeness grounded in defendants’ alleged use of photograph of plaintiff in political fundraising campaign).

<sup>1183</sup> *See Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050 (S.D. Cal. 2021).

expressive activity.”<sup>1184</sup> The problem with the defendant’s invocation of the defense was that “[t]he [complaint] alleges Defendant’s unauthorized use of Jordan’s name, image, likeness and/or autograph on its products, including trading cards. A replica picture of Jordan’s name, image and autograph are prominently featured on both sides of the card.”<sup>1185</sup> “Accepting the allegations as true,” the court held, it could not “conclude that use of Jordan’s name, image and autograph are incidental.”<sup>1186</sup>

A different failed motion to dismiss made an appearance in an opinion addressing a claim that the defendant had violated the Nevada Right of Publicity Act<sup>1187</sup> and the Nevada Deceptive Trade Practices Act<sup>1188</sup> by acquiring the plaintiffs’ names, images, likenesses, and personal information from yearbooks published in the state and then using them in various promotional strategies.<sup>1189</sup> Seeking to escape liability under the former statute, the defendant argued in a motion to dismiss that its use of the plaintiffs’ names and images fell within a statutory exception applicable to “material which is commercially sponsored but . . . not directly connected with the commercial sponsorship,”<sup>1190</sup> but the court rejected that proposition:

The affirmative defense does not apply to Plaintiffs['] claims regarding the use of their names and images in targeted promotional emails. Plaintiffs allege that [Defendant] has sent emails to prospective customers that are likely acquainted with Plaintiffs. Plaintiffs further allege that the emails invite the recipients to purchase . . . subscriptions [from Defendant] to learn more about Plaintiff. Based on the facts described, Plaintiffs have plausibly alleged that [Defendant’s] use of their names and images are directly connected to Plaintiffs’ advertising of their services.<sup>1191</sup>

The court was no more receptive to the defendant’s attempt to squeeze its conduct into a second statutory exemption from liability, one applicable to uses of plaintiffs’ personas “in connection with . . . public affairs,”<sup>1192</sup> of which the court held that “[e]ven if Plaintiffs

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<sup>1184</sup> *Id.* at 1069 (quoting *Pooley v. Nat’l Hole-In-One Ass’n*, 89 F. Supp. 2d 1108, 1112 (D. Ariz. 2000)).

<sup>1185</sup> *Id.* at 1069–70 (citations omitted).

<sup>1186</sup> *Id.* at 1070.

<sup>1187</sup> Nev. Rev. Stat. §§ 597.770 *et seq.*

<sup>1188</sup> *Id.* §§ 598.0903 *et seq.*

<sup>1189</sup> *See Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).

<sup>1190</sup> Nev. Rev. Stat. § 597.790(2)(a)).

<sup>1191</sup> *Sessa*, 561 F. Supp. 3d at 1030 (citations omitted).

<sup>1192</sup> Nev. Rev. Stat. § 597.790(2)(c)).

are of interest to the limited public searching for Plaintiffs' information, [Defendant's] use of their likenesses in connection with advertising is not within the scope of 'public affairs.'"<sup>1193</sup> It therefore denied those portions of the defendant's motion grounded in the two exceptions.<sup>1194</sup>

The denial of a motion to dismiss also transpired in a class action in which the defendant, an aggregator of personal information, used "teaser" advertising featuring various aspects of the plaintiffs' identities and was accused of violating their rights of publicity under the statutory law and common law of various states.<sup>1195</sup> With respect to one plaintiff's claims under the Ohio right of publicity statute,<sup>1196</sup> the defendant argued that that plaintiff's identity lacked the commercial value required by the statute, only to have the court conclude that "because [the defendant] uses [the plaintiff's] persona for commercial gain—that is, to incentivize people to subscribe—it reasonably implies that his persona does have at least some commercial value."<sup>1197</sup> The court next rejected the defendant's argument that its use of the Ohio plaintiff's information qualified for a "news" or "public affairs" exceptions to liability<sup>1198</sup> in similarly brusque fashion, observing that "[the defendant's] use of [the plaintiff's] name in teasers is solely for 'promotion, advertising, or marketing a product,' not for informing the public about a matter of genuine public interest."<sup>1199</sup> Finally, the court reached a closely similar conclusion in response to the defendant's claim that its conduct was not promotional in nature, explaining that "[t]he use of [the plaintiff's] identity in the 'teaser'—which is what this case is about—is promotional. The teaser is not the full profile; it has certain information withheld with the purpose of inducing potential users into subscribing."<sup>1200</sup>

That left the defendant's challenges to other plaintiffs' claims under Indiana and California law. With respect to the causes of action asserted by an Indiana-based plaintiff, the defendant unsuccessfully advanced the same commercial value, and

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<sup>1193</sup> *Sessa*, 561 F. Supp. 3d at 1031.

<sup>1194</sup> That holding led in turn to the court's denial of the defendant's additional claim that the plaintiffs' cause of action was barred by the Nevada Anti-SLAPP statute, Nev. Rev. Stat. § 41660. *See Sessa*, 561 F. Supp. 3d at 1034-35 ("[F]or the reasons described in the Court's discussion of the right of publicity public affairs exception, the Court finds that the challenged advertising communications do not implicate matters of public concern.").

<sup>1195</sup> *See Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. Jul. 8, 2022).

<sup>1196</sup> Ohio Rev. Code § 2741.02(A).

<sup>1197</sup> *Kellman*, 599 F. Supp. 3d at 891.

<sup>1198</sup> Ohio Rev. Code § 2741.09(A)(1)(b).

<sup>1199</sup> *Kellman*, 599 F. Supp. 3d at 892 (quoting *Harvey v. Sys. Effect, LLC*, 154 N.E.3d 293, 307 (Ohio Ct. App. 2020)).

<sup>1200</sup> *Id.*



newsworthiness arguments it had with respect to Ohio law, which failed for the same reasons.<sup>1201</sup> The defendant also argued that the Indiana plaintiff's cause of action failed to identify any objectionable conduct within that state, but the court declined to hold that Indiana law required in-state conduct for liability.<sup>1202</sup> The defendant's challenge to the Indiana plaintiff's cause of action therefore fell short of the mark.

Finally, the defendant's luck did not change where California statutory law<sup>1203</sup> and common law were concerned. Once again, the defendant asserted that its advertising qualified for a public interest and affairs exception to liability, and once again that argument failed.<sup>1204</sup> The defendant also unsuccessfully argued that its conduct was not unfair within the meaning of California's Unfair Competition Law<sup>1205</sup> (it was) and that another California statute<sup>1206</sup> mandating certain disclosures by companies collecting individuals' data immunized its behavior (it didn't).<sup>1207</sup> The plaintiffs' claims therefore survived beyond the pleadings stage.

A deferral of a final decision on the merits also came from a panel of the Court of Appeals of Arizona and arose from the increasingly ubiquitous practice by bars (whether those providing adult entertainment or not) of using unlicensed photographs of models in their advertising.<sup>1208</sup> Arizona statutory law is generally silent when it comes to persona-based rights, but one statute provides that "[t]he right to control and to choose whether and how to use a soldier's name, portrait or picture for commercial purposes is recognized as each soldier's right of publicity,"<sup>1209</sup> and that language has led myriad defendants to argue that no individuals other than soldiers can protect their identities. That contention succeeded before the trial court on a motion for judgment on the pleadings, but not on appeal. Contrary to the trial court's reading of the statute's scope, the appellate court held that "[w]hen interpreting statutes, we presume that they do not eliminate common law causes of action in the absence of express language to that effect."<sup>1210</sup> It therefore reversed with the explanation that the statute supplemented, but did not supplant, common-law protection against non-consensual

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<sup>1201</sup> *Id.* at 892–93.

<sup>1202</sup> *Id.* at 893.

<sup>1203</sup> Cal. Civ. Code § 3344(a).

<sup>1204</sup> *Kellman*, 599 F. Supp. 3d at 895.

<sup>1205</sup> Cal. Bus. & Prof. Code §§ 17500 *et seq.*

<sup>1206</sup> Cal. Civ. Code §§ 1798.100–1798.199.100.

<sup>1207</sup> *Kellman*, 599 F. Supp. 3d at 896–97.

<sup>1208</sup> *See Canas v. Bay Ent., LLC*, 498 P.3d 1082 (Ariz. Ct. App. 2021).

<sup>1209</sup> Ariz. Rev. Stat. § 12-761(A).

<sup>1210</sup> *Canas*, 498 P.3d at 1085.

publicity and the complementary right of publicity under Arizona law.<sup>1211</sup>

A panel of the Appeals Court of Massachusetts also kicked the can down the road without definitively resolving the merits of the persona-based cause of action before it, albeit in an appeal from the grant of a summary judgment motion instead of one for dismissal.<sup>1212</sup> At least as described by the court with all permissible inferences favoring the plaintiff, the facts lined up squarely in her favor: Having been promised formal membership in a law firm partnership several times, the plaintiff eventually left the firm to become a prosecutor, only to have the firm continue to use her last name in its name and in its advertising for six more years. The trial court held that the plaintiff had failed to satisfy the requirements of the Massachusetts right of publicity statute<sup>1213</sup> for two reasons: (1) the statute did to apply to disputes between employees and employers; and (2) the plaintiff had failed to adduce evidence of her actual damages. Addressing the first of those rationales, the court pointed out that the plaintiff's claims arose from the defendants' actions after any employer-employee relationship between the parties had ended.<sup>1214</sup> Then, with respect to the second, it pointed out that the plaintiff might well be entitled to nominal damages arising from the defendants' conduct.<sup>1215</sup> It therefore vacated the trial court's entry of summary judgment in the defendants' favor to allow reconsideration of both issues.

A final case deferring resolution of persona-based claims under Section 43(a)—at least some of the ones at issue—came in litigation in which a group of professional models objected to the appearance on a clothing retailer's website of photographs taken of them while sporting items of apparel sold by the retailer.<sup>1216</sup> In weighing the retailer's motion to dismiss, the New York federal district court assigned to the case applied a modified version of the Second Circuit's likelihood-of-confusion factors, namely: (1) the plaintiffs' notoriety; (2) the similarity of the plaintiffs' likenesses to those used by the defendant; (3) actual confusion; (4) the defendant's bad faith; and (5) sophistication of the relevant consumers.<sup>1217</sup> The court found that the second favored the plaintiffs because "the photographs [attached as exhibits to the complaint] are undeniably of their faces, and the photographs are recognizably their faces—not obscured, not shown from the back, and not indiscernible in a crowd of other

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<sup>1211</sup> *Id.*

<sup>1212</sup> See *Tedeschi-Freij v. Percy L. Grp., P.C.*, 172 N.E.3d 774 (Mass. Ct. App. 2021).

<sup>1213</sup> Mass. Gen. Laws c. 214, § 3A.

<sup>1214</sup> *Tedeschi-Freij*, 172 N.E.3d at 781–82.

<sup>1215</sup> *Id.* at 782.

<sup>1216</sup> See *Champion v. Moda Operandi, Inc.*, 561 F. Supp. 3d 419 (S.D.N.Y. 2021).

<sup>1217</sup> *Id.* at 437.

models.”<sup>1218</sup> Likewise, with exception of a single plaintiff, a “newcomer” to the New York modeling scene, the plaintiffs had adequately alleged they were sufficiently well-known to survive a motion to dismiss,<sup>1219</sup> and the same was true with respect to the plaintiffs’ allegations concerning the retailer’s bad faith.<sup>1220</sup> The second favored the retailer, with the court concluding that “it is unlikely that individuals who can afford to purchase designer clothing and who follow fashion design would be easily misled about what it was that the plaintiff models were, and were not, doing,”<sup>1221</sup> but that failed to render confusion unlikely as a matter of law.

***e. Violations of Rights Under Non-Persona-Based Rights  
Under State-Law Causes of Action***

**i. Preemption of State-Law Causes of Action**

***(A) Preemption by the Lanham Act***

With the exception of Section 39(b)<sup>1222</sup> and Section 43(c)(6),<sup>1223</sup> the Lanham Act does not have express preemptive effect. Nevertheless, in a case in which the representative of the estate of beatnik-era public figure Edie Parker challenged the use of the EDIE PARKER trademark for high-end handbags and fashion accessories, the court granted a defense motion to dismiss after concluding the Act preempted the plaintiff’s Michigan common-law right of publicity cause of action.<sup>1224</sup> That disposition turned in large part on the fact that the defendants’ right to the EDIE PARKER mark had become incontestable through three federal registrations owned by that defendant. According to the court, “Defendants . . . have the ‘exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the[ir] certificate[s].’”<sup>1225</sup> This meant that “[r]equiring Defendants to abandon these trademarks in the face of a common-law tort claim would utterly frustrate the goals of the Lanham Act.”<sup>1226</sup>

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<sup>1218</sup> *Id.* at 441. The court did, however, grant the motion with respect to those of the plaintiffs who were not recognizable in the photographs in which they appeared. *Id.*

<sup>1219</sup> *Id.* at 442.

<sup>1220</sup> *Id.*

<sup>1221</sup> *Id.*

<sup>1222</sup> 15 U.S.C. § 1121(b) (2018).

<sup>1223</sup> *Id.* § 1125(c)(3).

<sup>1224</sup> See *Moran v. Edie Parker, LLC*, 563 F. Supp. 3d 671 (E.D. Mich. 2021).

<sup>1225</sup> *Id.* at 677 (second and third alterations in original) (quoting *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017)).

<sup>1226</sup> *Id.*

*(B) Preemption by the Copyright Act*

Section 301(a) of the Copyright Act prohibits the vindication of “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright.”<sup>1227</sup> The inquiry into whether Section 301(a) preempts state-law causes of action therefore is a two-part one turning on: (1) whether the subject matter of the state law claim falls within the scope of copyright law; and, if it does (2) whether the right asserted is equivalent to the exclusive rights of copyright owners.<sup>1228</sup>

Following the departure of a plaintiff, a radio personality, from a show on which he had made numerous appearances over a six-year period, the show licensed the satellite and streaming service on which the show had appeared to use audio clips from the show, including those featuring the plaintiff, as promotional tools.<sup>1229</sup> Alleging a violation of his right of publicity under the California common law and a statute of that state,<sup>1230</sup> the plaintiff filed suit, only to fall victim to a successful preemption-based motion to dismiss, as well as the Second Circuit’s affirmance of that outcome. Addressing the first prong of the standard doctrinal analysis, the appellate court concluded that:

The . . . complaint contains no allegations that [the plaintiff’s] name or likeness was extracted in any way to appear independently from how it originally appeared in the archival episodes, or that the excerpts were manipulated in some manner to bring his identity into focus. [The plaintiff’s] allegations, therefore, are directed at the copyrighted works in which he appears—the archival episode recordings—and not toward any separate use of his name or likeness.<sup>1231</sup>

With the plaintiff’s claims therefore falling within the scope of copyright law, the court turned to the second prong. Although it acknowledged that the plaintiff’s California statutory cause of action required a showing of a commercial purpose by the defendant, the court still held that “[u]ltimately, [the plaintiff’s] right of publicity claims, under both common and statutory law, are aimed at stopping the reproduction of copyrightable works that embody his identity—the excerpts of the archival episodes of the . . . Show—not

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<sup>1227</sup> 17 U.S.C. § 301(a) (2018).

<sup>1228</sup> See, e.g., *Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008, 1031 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).

<sup>1229</sup> See *Melendez v. Sirius XM Radio, Inc.*, 50 F.4th 294 (2d Cir. 2022).

<sup>1230</sup> Cal. Civ. Code § 3344.

<sup>1231</sup> *Melendez*, 50 F.4th at 304.

the independent use of his identity to sell unrelated goods or services without his permission.”<sup>1232</sup> “In other words,” it continued, “[the plaintiffs] claims are ‘in no meaningful fashion distinguishable from infringement of a copyright.’”<sup>1233</sup> The district court therefore properly had held the plaintiffs’ claims preempted. In contrast, federal district courts also denied preemption-based motions to dismiss persona-based claims, including two filed by Ancestry.com. One court doing so had before it a complaint challenging Ancestry’s practice of using without authorization the names, images, likenesses, and personal information acquired from school yearbooks for various promotional purposes.<sup>1234</sup> Weighing a motion to dismiss various Nevada state-law causes asserted by the plaintiffs based on their alleged inconsistency with Section 301, the court rejected the plaintiffs’ argument that Ancestry could claim preemption only if it owned the copyrights covering the plaintiffs’ photographs. Nevertheless, it then held that “Plaintiffs’ claims concern Ancestry’s use of Plaintiff’s [sic] likeness, not merely their publication of Plaintiff’s photographs.”<sup>1235</sup> Moreover, the court continued, Ancestry did not merely offer a repository of photographs that its customers could download for merely personal use but instead advertised its services by offering prospective customers the ability to learn about persons in its database; beyond that, it allegedly sent e-mails with likenesses of the plaintiffs to recipients whom Ancestry believed might be curious about the plaintiffs. Those considerations, the court held, took the plaintiffs’ claims beyond Section 301’s preemptive effect.<sup>1236</sup>

Ancestry also struck out in its bid for the preemption-based dismissal of an action brought under Illinois law on virtually identical facts.<sup>1237</sup> According to the court’s denial of Ancestry’s motion to dismiss, “when a likeness has been captured in a copyrighted artistic visual work and the work itself is being distributed for personal use, a publicity-right claim interferes with the exclusive rights of the copyright holder and is preempted by section 301 of the Copyright Act”;<sup>1238</sup> at the same time, however, “a publicity-right claim is not preempted when it targets non-consensual use of one’s name or likeness on merchandise or in

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<sup>1232</sup> *Id.* at 308.

<sup>1233</sup> *Id.* (quoting *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 851 (2d Cir. 1997)).

<sup>1234</sup> *See Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).

<sup>1235</sup> *Id.* at 1033.

<sup>1236</sup> *Id.*

<sup>1237</sup> *See Bonilla v. Ancestry.com Operations Inc.*, 574 F. Supp. 3d 582 (N.D. Ill. 2021).

<sup>1238</sup> *Id.* at 594 (quoting *Maloney v. T3Media, Inc.*, 853 F.3d 1004, 1010 (9th Cir. 2017)).

advertising.”<sup>1239</sup> Because the plaintiff’s complaint alleged just such a non-consensual use, a holding of preemption was inappropriate.<sup>1240</sup>

A group of models similarly avoided a holding of preemption in an opinion from an Arizona appellate panel.<sup>1241</sup> The defendants argued that, because the plaintiffs objected to the defendants’ use of photographs of them, the entirety of the defendants’ alleged misappropriation fell within the scope of copyright protection. The court disagreed, and it therefore reversed the grant of defense motion for judgment on the pleadings on the subject:

[The plaintiffs] make their living by modeling, acting, and cultivating online personas as social media influencers, partnering with and representing commercial brands. [The plaintiffs] base their claims not on [the defendants’] use of anything in the photographs that is protected by copyright (e.g., composition, lighting, developing techniques), but instead allege [the defendants] misappropriated their brands and likenesses represented in the photographs. Indeed, “where the plaintiff’s claims are based on a non-copyrightable personal attribute rather than a copyrightable performance, the Copyright Act does not preempt the claims.” “The subject matter of a right to publicity claim is the name or likeness, which ‘does not become a work of authorship simply because it is embodied in a copyrightable work.’”<sup>1242</sup>

### (C) *Preemption by the Patent Act*

As have others before it,<sup>1243</sup> one court held that the New York dilution statute<sup>1244</sup> could not be used to protect nonverbal trade dress, in that case the registered appearance of a foil pouch used as a beverage package.<sup>1245</sup> Invoking the Supreme Court’s decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,<sup>1246</sup> the court observed that “state regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in

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<sup>1239</sup> *Id.* (quoting *Maloney*, 853 F.3d at 1010).

<sup>1240</sup> *Id.*

<sup>1241</sup> *See Canas v. Bay Ent., LLC*, 498 P.3d 1082 (Ariz. Ct. App. 2021).

<sup>1242</sup> *Id.* at 1086 (quoting *No Doubt v. Activision Publ’g, Inc.*, 702 F. Supp. 2d 1139, 1144 (C.D. Cal. 2010)).

<sup>1243</sup> *See, e.g., Luv N’ Care, Ltd. v. Regent Baby Prods. Corp.*, 841 F. Supp. 2d 753, 760–62 (S.D.N.Y. 2012).

<sup>1244</sup> N.Y. Gen. Bus. L. § 360-1.

<sup>1245</sup> *See Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>1246</sup> 489 U.S. 141 (1989).

our patent laws,”<sup>1247</sup> and that “[c]ourts have construed this principle to preempt dilution claims under § 360-1 where [a] plaintiff’s trademark or trade dress is ‘potentially patentable.’”<sup>1248</sup> The court then addressed the significance of an expired utility patent secured by the plaintiff prior to the successful registration of its product design with the USPTO. Based in part on its conclusion that the patent “was for a pouch design very similar to the [plaintiff’s registered] Mark,” the court found it undisputed that the pouch fell “with the ambit of ‘potentially patentable.’”<sup>1249</sup> With little additional analysis, it granted the defendant’s motion for summary judgment.<sup>1250</sup>

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<sup>1247</sup> *Capri Sun*, 595 F. Supp. 3d at 186 (quoting *Bonito Boats*, 489 U.S. at 152).

<sup>1248</sup> *Id.* (quoting *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 285 (S.D.N.Y. 2016)).

<sup>1249</sup> *Id.*

<sup>1250</sup> *See id.* at 186–87.

Whether the court’s broad reading of *Bonito Boats* is warranted is open to question. As other case law subsequent to *Bonito Boats* has recognized, there is no right to copy a configuration merely because it is not covered by, or eligible for, utility patent, design patent, or copyright protection. *See generally* *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1331–38 (Fed. Cir. 1998) (rejecting claims of field and conflict preemption), *overruled on other grounds*, *Midwest Indus. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999); *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 641–42 (7th Cir. 1993) (“[T]he underlying policies of federal trademark law, and the nature of the protection afforded, do not approximate the sweeping, perpetual patent-like state statutes that the Supreme Court [has] found impermissible . . .”). Rather, as the Federal Circuit has explained in the context of an expired utility patent, “[w]e know of no provision of patent law, statutory or otherwise, that guarantees to anyone an absolute right to copy the subject matter of any expired patent. Patent expiration is nothing more than the cessation of the patentee’s right to exclude . . . under the patent law.” *Midwest Indus.*, 175 F.3d at 1362–64.

Indeed, *Bonito Boats* expressly affirmed the ability of the states to protect against the entirely separate tort of trade secret misappropriation “[d]espite the fact that state law protection [is] available for ideas which clearly fell within the subject matter of patent [law].” 489 U.S. at 155. The proper inquiry therefore is whether a state has provided “patent-like protection,” and this standard will not be met if “state protection [is] not aimed exclusively at the promotion of invention itself and [if] the state restrictions on the use of unpatented ideas [are] limited to those necessary to promote goals outside the contemplation of the federal patent scheme.” *Id.* at 166. Preemption is therefore appropriate only if the state law remedy “clashes” or “conflict[s]” with federal policy. *Id.* at 151, 152.

In the case at hand, however, the relief sought by the plaintiff was entirely consistent with express federal policy. As the *Bonito Boats* Court recognized, 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 *Sears and 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

## ii. State-by-State Causes of Action

### (A) California

A California federal district court applied a restrictive interpretation of that state's cause of action for "unjust enrichment/quasi-contract" in litigation challenging the defendant's sale of sports trading cards bearing unauthorized imitations of its trademarks, as well as unauthorized uses of the name, signature, and autograph of Michael Jordan.<sup>1251</sup> Although denying the defendant's bid for the dismissal of certain causes of action asserted by the plaintiff, the court held that the plaintiff had failed to state a claim for unjust enrichment/quasi-contract. That cause of action required the plaintiff to plead and prove "[1] receipt of a benefit and [2] unjust retention of the benefit at the expense of another."<sup>1252</sup> According to the plaintiff, its averments satisfied both requirements because they accused the defendant of unlawfully using its marks and Jordan's identity, thereby creating a quasi-contractual obligation for the defendant to restore his ill-gotten gains to the plaintiff. The court disagreed, holding instead that "[t]hese allegations do not support a quasi-contract between Plaintiff and Defendant. While privity or a direct relationship between the parties is not required, Plaintiff must have conferred a benefit to

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decided to "stand by both concepts and to tolerate whatever tension there [is] between them."

*Bonito Boats*, 489 U.S. at 166 (alteration in original) (quoting *Silkwood v. Kerr-McGee Corp.*, 464 U.S. 238, 256 (1984)).

In this context, Congress not only has "tolerated" the protection of trade dress under dilution law, but it has also expressly ratified that protection by recognizing that trade dress is covered by the federal causes of action found in Sections 43(a) and 43(c) of the Act. *See* 15 U.S.C. §§ 1125(a)(3), 1125(c)(4) (2018). That recognition did not occur against a backdrop of judicial holdings that product designs were uniquely unprotectable under the then-extant version of the statute: On the contrary, courts routinely held that the original statute was available to protect those designs. *See, e.g.*, *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 214 (2d Cir. 1999) (snack crackers); *Herman Miller, Inc. v. A. Studio S.R.L.*, 79 U.S.P.Q.2d 1905, 1908–14 (W.D. Mich. 2006) (furniture); *Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, 299 F. Supp. 2d 892, 899–900 (E.D. Wis. 2004) (dolls); *Liquid Glass Enters. v. Dr. Ing. H.c.F. Porsche AG*, 8 F. Supp. 2d 398, 404–05 (D.N.J. 1998) (automobiles); *Sunbeam Prods., Inc. v. West Bend Co.*, 39 U.S.P.Q.2d 1545, 1555 (S.D. Miss. 1996) (household kitchen mixers), *aff'd on other grounds*, 123 F.3d 246 (5th Cir. 1997). Rather than impermissibly *conflicting* with federal policy in the area, the cause of action created by the New York statute *advances* it. *See* *Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204–05, 205 & n.8 (2d Cir. 1979) (affirming injunction entered against copying of product design under New York dilution statute); *see also Nabisco*, 191 F.3d at 212 ("The district court found that [the defendant's] use . . . would dilute the distinctive quality of [the plaintiff's] goldfish-shaped cracker, in violation of the Federal Trademark Dilution Act . . . and New York's antidilution statute . . . . We affirm.").

<sup>1251</sup> *See* *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050, 1056 (S.D. Cal. 2021).

<sup>1252</sup> *Id.* at 1071 (alterations in original) (quoting *Peterson v. Celco P'ship*, 80 Cal. Rptr. 3d 316, 324 (Cal. Ct. App. 2008)).



Defendant which it unjustly retained. The [complaint] fails to allege that Defendant unjustly retained any benefit from Plaintiff.”<sup>1253</sup>

Another California federal district court tackled the question of whether a plaintiff asserting violations of California’s False Advertising Law (FAL)<sup>1254</sup> and Unfair Competition Law (UCL)<sup>1255</sup> must plead and ultimately prove that it relied upon the defendant’s alleged misrepresentations.<sup>1256</sup> Weighing a defense motion to dismiss grounded in that theory, the court answered the question in the negative. It did so despite having reached the opposite conclusion in earlier unrelated cases, holding that, in light of intervening case law, “a rule requiring all plaintiffs to prove actual reliance would in fact defeat the UCL and FAL’s purpose of protecting consumers and competitors alike.”<sup>1257</sup>

The court then addressed a second basis of the motion to dismiss, which was that, having requested an award of its actual damages, the plaintiff could not establish the lack of an adequate remedy at law necessary for it to receive injunctive relief. Crediting the plaintiff’s representations at oral argument that it sought damages for the moving defendant’s past misconduct but injunctive relief against future harm, the court rejected the moving defendant’s argument, holding instead that “[a]lthough monetary damages may ultimately fully address plaintiff’s harm, at this stage of the litigation there is an ongoing, prospective nature to plaintiff’s allegations . . . sufficient to suggest a likelihood of future harm amenable to injunctive relief.”<sup>1258</sup>

A final reported opinion addressing the UCL’s scope did so in a case in which the plaintiff accused the lead defendant, a direct competitor, of “enlisting individuals associated with [the plaintiff’s] management” to purchase the plaintiff’s goods on Amazon and then post negative reviews of the goods.<sup>1259</sup> Applying Rule 9(b) of the Federal Rules of Civil Procedure<sup>1260</sup> to require the plaintiff to plead its averments under the UCL of “false,” “fraudulent,” and “misleading” reviews with particularity,<sup>1261</sup> the court first held that the plaintiff had failed to aver that the lead defendant had engaged in an “unfair” practice because:

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<sup>1253</sup> *Id.* at 1072.

<sup>1254</sup> Cal. Bus. & Prof. Code §§ 17500 *et seq.*

<sup>1255</sup> *Id.* §§ 17200 *et seq.*

<sup>1256</sup> *See* Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC, 552 F. Supp. 3d 901 (N.D. Cal. 2021).

<sup>1257</sup> *Id.* at 915 (quoting Lona’s Lil Eats, LLC. V. DoorDash, Inc., No. 20-cv-06703-TSH, 2021 WL 151978, at \*12 (N.D. Cal. Jan. 18, 2021)).

<sup>1258</sup> *Id.* at 916 (alterations in original) (quoting Roper v. Big Heart Pet Brands, Inc., 510 F. Supp. 3d 903, 918 (E.D. Cal. 2020)).

<sup>1259</sup> *See* BHRS Grp. v. Brio Water Tech., Inc., 553 F. Supp. 3d 793, 797 (C.D. Cal. 2021).

<sup>1260</sup> Fed. R. Civ. P. 9(b).

<sup>1261</sup> *BHRS Grp.*, 553 F. Supp. 3d at 799, 801.

[The plaintiff] does not aver (or argue) that [the lead defendant's] alleged misconduct threatens an incipient violation of an antitrust law or has effects comparable to a violation of an antitrust law. The Amended Complaint does not state sufficient facts to show that the alleged false statements were made by [the lead defendant], or by individuals who received compensation (monetary or otherwise) in exchange for their reviews.<sup>1262</sup>

With unfairness not in play, the court next held as a matter of law that the plaintiff could not establish the second required element for a successful UCL claim, namely, that the lead defendant's conduct was unlawful.<sup>1263</sup> The lead defendant's motion to dismiss therefore was well-founded.

### **(B) Georgia**

Georgia statutory law recognizes a civil cause of action for a property owner to recover actual damages arising from a defendant either willfully damaging the plaintiff's property or unlawfully committing a theft of it.<sup>1264</sup> With trademark law generally an unproductive vehicle for challenging the sale of marks as triggers for online advertising, one plaintiff took the novel step of suing Google under the Georgia statute on the theory that the sale of the plaintiff's trade name through the GOOGLE ADS program was actionable.<sup>1265</sup> Appealing from the dismissal of its cause of action for failure to state a claim, the plaintiff argued that Google had committed theft by taking through its unlawful misappropriation of the plaintiff's property "by selling that property without permission to others and keeping the proceeds for itself."<sup>1266</sup> Critically, the plaintiff eschewed reliance on any likelihood of confusion potentially created by Google's conduct,<sup>1267</sup> but instead proceeded on the theory that it had "the absolute right to control the use of its trade name and associated goodwill."<sup>1268</sup>

The Supreme Court of Georgia affirmed. It acknowledged that "goodwill is a type of intangible property interest,"<sup>1269</sup> but its agreement with the plaintiff ended there. Instead, it concluded that

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<sup>1262</sup> *Id.* at 802.

<sup>1263</sup> *Id.* at 802–03.

<sup>1264</sup> Ga. Code Ann. § 51-10-6(a).

<sup>1265</sup> *See* Edible IP, LLC v. Google, LLC, 869 S.E.2d 481 (Ga. 2022).

<sup>1266</sup> *Id.* at 485.

<sup>1267</sup> *Id.* at 487 ("Here, [the plaintiff] has not alleged that Google's use of the [plaintiff's] trade name in its keyword advertising program causes any confusion, and in fact, has disclaimed in the complaint that it is 'seek[ing] any . . . relief for any consumer confusion.'" (third and fourth alterations in original)).

<sup>1268</sup> *Id.* at 489.

<sup>1269</sup> *Id.* at 485.

neither the state's unfair competition statutes and case law nor federal trademark reached possible uses by defendants by plaintiffs. Without referencing the broadly worded Georgia dilution statute<sup>1270</sup> or Section 43(c), it explained:

[T]rademark law recognizes a distinction between the illegitimate misappropriation of a business's goodwill and legitimate comparative advertising and, therefore, permits the use of trade names as long as referencing other brand names does not confuse consumers and is not deceptive. Indeed, if liability for using a trademark or trade name could be imposed without the "likelihood of confusion" test, as [the plaintiff] urges, then "over 100 years of trademark law would be discarded." We see no reason to extend civil theft in Georgia to encompass the mere use of a trade name, without implicating consumer confusion, when doing so would subvert Georgia trademark law, federal trademark law, and the common law of trademark infringement.<sup>1271</sup>

For much the same reasons, it then affirmed the dismissal of the plaintiff's concomitant Georgia causes of action for conversion,<sup>1272</sup> for money had and received,<sup>1273</sup> and racketeering.<sup>1274</sup>

### (C) *Nevada*

Nevada has adopted a restrictive version of the Uniform Deceptive Trade Practice Act, two portions of which provide for the imposition of liability on any defendant that: (1) "[k]nowingly makes a false representation as to the source, sponsorship, approval or certification of goods or services for sale or lease"; or (2) "[k]nowingly makes a false representation as to affiliation, connection,

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<sup>1270</sup> Ga. Code Ann. § 10-1-451(b).

<sup>1271</sup> *Edible IP*, 869 S.E.2d at 488–89 (footnote omitted) (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:9.50 (5th ed.)).

<sup>1272</sup> *Id.* at 490 ("Although Georgia law may provide relief for the conversion of certain intangible property, we have never extended that tort to claims based on the mere use of a trademark or on trade name infringement, and we decline to do so now." (footnote omitted)).

<sup>1273</sup> *Id.* at 491 ("[The plaintiff's] claim for money had and received . . . relies on its unavailing assertion that, rather than selling advertising space, Google is in essence selling [the plaintiff's] trade name and illegally profiting from it. And, despite [the plaintiff's] insistence that our courts have previously held that 'the fact that [money] was received from a third person will not affect [a defendant's] liability,' this holding does not change the futility of [the plaintiff's] claim for money had and received because [the plaintiff] has no claim to the profits that Google has earned by selling advertising." (footnote omitted) (fifth and sixth alterations in original) (footnote omitted) (quoting *Haugabook v. Crisler*, 677 S.E.2d 355, 360 (Ga. Ct. App. 2009)).

<sup>1274</sup> *Id.* ("[T]his claim requires [the plaintiff] to successfully plead the underlying claim of theft, which we have determined that it has not done here. Accordingly, [the plaintiff's] claim also fails.").

association with or certification by another person.”<sup>1275</sup> An opinion from a federal district court in that state gave teeth to the word “knowingly” by dismissing a cause of action under the Act because of the plaintiffs’ failure to aver that the defendant’s alleged misappropriation of their names, images, likeness, and personal information to promote the defendant’s services constituted knowingly false representations.<sup>1276</sup> The court did so without prejudice, however, granting the plaintiffs leave to replead their causes of action.<sup>1277</sup>

### (D) *New York*

One court offered the following restatement of the options available to plaintiffs under New York common law:

New York common law recognizes “two theories of common-law unfair competition: palming off and misappropriation.” Palming off is the “sale of the goods of one manufacturer as those of another.” The second theory prohibits individuals from “misappropriat[ing] the results of the skill, expenditures, and labors of a competitor . . . .” “New York’s law of unfair competition is a ‘broad and flexible doctrine that depends more upon the facts set forth . . . than in most causes of action.’”<sup>1278</sup>

The relationship between those causes of action and the Lanham Act divided some courts. For example, in finding for a defendant following a bench trial, one held that “[t]rademark infringement under the Lanham Act and under New York common law are adjudged using the same standard.”<sup>1279</sup> Other courts, however, held that a demonstration of bad faith, as well as likely confusion, was required for successful common-law causes of action for infringement and unfair competition.<sup>1280</sup>

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<sup>1275</sup> Nev. Rev. Stat. § 598.0915(2)-(3).

<sup>1276</sup> See *Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008, 1033 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).

<sup>1277</sup> *Id.*

<sup>1278</sup> *Kid Car NY, LLC v. Kidmoto Techs. LLC*, 518 F. Supp. 3d 740, 761 (S.D.N.Y. 2021) (alterations in original) (first quoting *ITC Ltd. v. Punchgini, Inc.*, 880 N.E.2d 852, 858 (N.Y. 2007); then quoting *id.*; and then quoting *Telecom Int’l Am., Ltd. v. AT & T Corp.*, 280 F.3d 175, 197 (2d Cir. 2001)).

<sup>1279</sup> *Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185, 214 (S.D.N.Y. 2021) (citation omitted).

<sup>1280</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83, 192 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022); *Kid Car NY*, 518 F. Supp. 3d at 753, 761.

## *f. Secondary Liability*

### i. Contributory Infringement

In *Inwood Laboratories v. Ives Laboratories*,<sup>1281</sup> the Supreme Court set forth the standard for contributory infringement, namely, that that tort occurs when “a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.”<sup>1282</sup> Early post-*Inwood* applications of that standard often focused on the liability of landlords for infringement occurring on their properties. Nevertheless, most plaintiffs asserting contributory infringement in recent years have done so in the context of online sales, and that rule held over the past year.

One pair of plaintiffs doing so claimed that Amazon should have known of sales of goods bearing marks allegedly infringing those of the plaintiffs based on three considerations: (1) the plaintiffs’ complaints to Amazon about the sale by third parties of goods not at issue in the litigation, which the plaintiffs claimed placed Amazon on notice of the plaintiffs’ two registered marks; (2) a cease-and-desist letter sent to Amazon; and (3) service of an amended complaint on Amazon accusing it of both direct and contributory infringement.<sup>1283</sup> The court dismissed the first and second of those allegations, the first because the plaintiffs’ complaints “did not reference [the alleged direct infringer] or any of the Accused Products, and therefore could not have alerted Amazon to the particular infringement alleged in this lawsuit”<sup>1284</sup> and the second because the letter also failed to mention the alleged direct infringer’s products “or identify with any particularity the products that are alleged to infringe.”<sup>1285</sup> Amazon therefore deserved summary judgment with respect to its alleged knowledge of the allegedly infringing sales on its platform.

The court reached a different result with respect to sales occurring after service of the amended complaint. The summary judgment record suggested that, although the goods in question were delisted following that service, those listings were subsequently reinstated for unknown reasons. Amazon was not entitled to summary judgment as to the reinstated listings because:

The parties do not dispute that service of the Amended Complaint on November 1, 2019 provided Amazon with sufficient knowledge of the alleged infringement. Thus, if the

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<sup>1281</sup> 456 U.S. 844 (1982).

<sup>1282</sup> *Id.* at 854.

<sup>1283</sup> See *Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780 (S.D. Ind. 2021).

<sup>1284</sup> *Id.* at 809.

<sup>1285</sup> *Id.*

factfinder ultimately determines that the Accused Products infringe Plaintiffs' trademarks, then Amazon may be contributorily liable for infringement that occurred after November 1, 2019.<sup>1286</sup>

Other courts addressing claims of contributory infringement did so in the context of motions to dismiss. One such motion was filed in a case in which the plaintiffs produced coffee and also loaned coffee-making equipment to retailers who were contractually prohibited from using coffee in the equipment other than that which they had purchased from the plaintiffs.<sup>1287</sup> The defendant distributed the plaintiffs' coffee and also participated in their plaintiffs' equipment-loan program; in connection with that program, the defendant was obligated to notify the plaintiffs of any infringers of their marks and any instances of participants in the equipment-loan program using third parties' coffee in that equipment. In fact, the plaintiffs averred, the defendant actively sold third-party coffee to those participants, who then sold it under the plaintiffs' marks.

The defendant improbably argued that the plaintiffs had failed to state a claim for contributory infringement, but it did so unsuccessfully. "To state a claim for contributory infringement," the court held in denying the defendant's motion, "a plaintiff must allege that defendant either [i] intentionally induced another to infringe a trademark or [ii] continued to supply its product or service to one whom it knew or had reason to know was engaging in trademark infringement."<sup>1288</sup> Because the plaintiffs had plausibly alleged the defendant's sale of the third-party coffee to its customers despite knowing of those customers' infringement of the plaintiffs' marks, and despite its "unique knowledge" of the plaintiffs' marks, the plaintiffs' averments survived until the proof stage.<sup>1289</sup>

In contrast, another defendant, e-commerce platform operator Redbubble, successfully pursued the dismissal of allegations of contributory counterfeiting and infringement against it.<sup>1290</sup> According to the plaintiff bringing those allegations, which asserted rights to various registered marks and a trade dress, Redbubble had allowed users of its platform to create online storefronts at which "infringing and counterfeit apparel and other goods displaying the [plaintiff's marks and trade dress] . . . are marketed, offered for sale, sold, created, and/or shipped to consumers";<sup>1291</sup> moreover, the

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<sup>1286</sup> *Id.*

<sup>1287</sup> See *Lavazza Premium Coffees Corp. v. Prime Line Distribs. Inc.*, 575 F. Supp. 3d 445 (S.D.N.Y. 2021).

<sup>1288</sup> *Id.* at 472 (alterations in original) (quoting *Row, Inc. v. Hotels*, No. 15 Civ. 4419 (JFK), 2018 WL 3756456, at \*5 (S.D.N.Y. Jul. 19, 2018)).

<sup>1289</sup> *Id.*

<sup>1290</sup> See *YZ Prods., Inc. v. Redbubble, Inc.*, 545 F. Supp. 3d 756 (N.D. Cal. 2021).

<sup>1291</sup> *Id.* at 761 (second alteration in original).

plaintiff averred, Redbubble “is directly involved in the sale of goods via its e-commerce system and has direct control over and specific knowledge of the Infringing Goods advertised or sold via that system” and had failed to act in response to the plaintiff’s complaints.<sup>1292</sup> Because the complaint failed to accuse Redbubble of intentionally inducing the alleged direct infringers, the court focused on whether the plaintiff had adequately pleaded that the defendant “knew of acts of direct infringement and exercised the requisite level of control over the means of infringement.”<sup>1293</sup> With respect to the first of the two requirements, the court held:

[A]s to whether Plaintiff has adequately alleged that Defendant “knew of acts of direct infringement,” in an online marketplace setting, “a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe . . . is necessary.” Receiving “[n]otice of certain acts of infringements does not imply generalized knowledge of—and liability for—others.”

In the instant case, Plaintiff alleges that Defendant “know[s] or [has] reason to know that [Defendant’s] system is used to market, offer for sale, sell, create, and/or distribute Infringing Goods.” However, Plaintiff does not allege that Defendant had contemporary knowledge of which particular postings on Defendant’s website infringed upon Plaintiff’s trademarks.<sup>1294</sup>

The court appeared more receptive to the plaintiff’s allegations that Redbubble had direct control over its platform as well as supervisory power over users of the platform, but that did not cure the failure of the plaintiff’s allegations to satisfy the first requirement. The court therefore granted Redbubble’s motion to dismiss, albeit with leave to the plaintiff to amend.<sup>1295</sup>

## ii. Vicarious Liability

To prevail on a claim of vicarious liability, a plaintiff must prove the defendant against which such a finding is sought and the party directly engaged in the alleged unfair competition have an apparent or actual partnership, have authority to bind one another in

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<sup>1292</sup> *Id.*

<sup>1293</sup> *Id.* at 765 (quoting *Theta Chi Fraternity, Inc. v. Leland Stanford Junior Univ.*, 212 F. Supp. 3d 816, 825 (N.D. Cal. 2016)).

<sup>1294</sup> *Id.* at 765 (second, third, fourth, and fifth alterations in original) (quoting *Spy Phone Labs LLC v. Google Inc.*, No. 15-CV-03756-PSG, 2016 WL 1089267, at \*3 (N.D. Cal. Mar. 21, 2016)).

<sup>1295</sup> *Id.* at 766.

transactions with third parties, or, if infringement is the issue, exercise joint ownership or control over the goods or services associated with the claimed unlawful mark.<sup>1296</sup> Substantive discussions of claims of vicarious liability have been increasingly absent from reported trademark and unfair competition opinions in recent years, and that general pattern held true.<sup>1297</sup> Nevertheless, the Girl Scouts of the United States of America accused the Boy Scouts of America of being vicariously liable for alleged infringement by “local councils, troops, packs and individual Boy Scouts participants.”<sup>1298</sup> The court hearing the case noted while considering competing cross-motions for summary judgment that the parties agreed on the relevant standard: “A party can be held vicariously liable when “the defendant and the infringer (1) have an apparent or actual partnership, (2) have authority to bind one another in transactions with third parties or (3) exercise joint ownership or control over the infringing product.”<sup>1299</sup> Although the Girl Scouts relied on the first and third of those theories, the first fell short because “Boy Scouts is not in partnership with its local councils or members”<sup>1300</sup> and because “[n]o facts suggest Boy Scouts shares profits or losses with its local members, and there is no indication Boy Scouts intends the existence of such relationships.”<sup>1301</sup> “Likewise,” with respect to the third factor, “although Boy Scouts does distribute brand guidelines for the Scout Terms and related marks, that fact at most indicates Boy Scouts has the *ex ante* ability to influence local actors and the *ex post* ability to help correct mistakes when they arise.”<sup>1302</sup> Summary judgment in favor of the Boy Scouts therefore was appropriate.

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<sup>1296</sup> *Hugunin v. Land O'Lakes, Inc.*, 110 U.S.P.Q.2d 1404, 1410 (N.D. Ill. 2014); *see also* *Harrell v. Colonial Holdings, Inc.*, 923 F. Supp. 2d 813, 821 (E.D. Va. 2013) (“[A] plaintiff may assert joint liability where it is shown that ‘the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.’” (quoting *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 165 (4th Cir. 2012))).

<sup>1297</sup> For an opinion declining to entertain a claim of vicarious liability because the plaintiff raised it for the first time in a reply brief in support of summary judgment motion, *see Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780, 806 (S.D. Ind. 2021) (“Because Plaintiffs did not assert vicarious liability in their opening brief, any argument that [the defendant] is vicariously liable, or that summary judgment should be entered in favor of Plaintiffs on that issue, is waived.”).

<sup>1298</sup> *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581, 603 (S.D.N.Y. 2022).

<sup>1299</sup> *Id.* (quoting *Kelly-Brown v. Winfrey*, 717 F.3d 295, 314 (2d Cir. 2013)).

<sup>1300</sup> *Id.* at 604.

<sup>1301</sup> *Id.* at 604–05.

<sup>1302</sup> *Id.* at 604.



### *g. Individual Liability*

Addressing a motion to dismiss a complaint accusing two executives of individual liability for infringement and counterfeiting, one court rejected the defendants' argument that the plaintiffs' allegations were subject to a heightened pleading standard.<sup>1303</sup> On the contrary, it held, the bar at issue was "not . . . particularly high, especially at this stage of the litigation";<sup>1304</sup> thus, "Plaintiff need merely plead facts 'showing that an officer authorized and approved the acts of unfair competition which are the basis of [the] . . . corporation's liability.'"<sup>1305</sup> Because the complaint recited that the individual defendants were personally involved in negotiating a distribution agreement the lead defendant allegedly had violated, as well as fraudulently inducing the plaintiff into a separate consent agreement allowing the lead defendant to register its allegedly infringing mark, the averments against them were not subject to dismissal at the pleadings stage.<sup>1306</sup>

## **2. Defenses**

### *a. Legal Defenses*

#### **i. Incontestability**

The "conclusive" evidence under Section 33(b)<sup>1307</sup> of a registrant's right to use its mark once the registrant files a declaration of incontestability has led some defendants to assert, with varying degrees of success, that incontestability is a defense precluding injunctive and monetary relief against the registrant. Nevertheless, as the Third Circuit held, Section 15 expressly provides that incontestability applies only "'to the extent, if any, to which the use of a [registered mark] infringes a valid' state or common law trademark right 'continuing from a date prior to the date of registration.'"<sup>1308</sup> That court therefore rejected a registrant's attempt to invoke Section 33(b) to escape a finding of liability based on the plaintiff's allegations of rights predating those of the registrant.<sup>1309</sup>

In contrast, although addressing the issue under a preemption rubric, one court did give dispositive effect to the incontestable

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<sup>1303</sup> See *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83 (E.D.N.Y. 2021).

<sup>1304</sup> *Id.* at 105.

<sup>1305</sup> *Id.* (quoting *Int'l Diamond Imps., Inc. v. Oriental Gemco (N.Y.), Inc.*, 64 F. Supp. 3d 494, 515, 525 (S.D.N.Y. 2014)).

<sup>1306</sup> *Id.* at 105–06.

<sup>1307</sup> 15 U.S.C. § 1115(b) (2018).

<sup>1308</sup> *Beasley v. Howard*, 14 F.4th 226, 237 (3d Cir. 2021) (alteration in original) (quoting 15 U.S.C. § 1065 (2018)).

<sup>1309</sup> *Id.*

trademark rights of a lead defendant accused of violating the post-mortem right of publicity under Michigan law asserted by a descendant of Beat Generation celebrity Edie Parker.<sup>1310</sup> The lead defendant, which had no connection to Parker, nevertheless had secured numerous registrations of the EDIE PARKER and EP marks for fashion items and related accessories. It also had filed declarations of incontestability for some of its registrations, which proved to give it the upper hand when it moved for the dismissal of the plaintiff's claims. Noting that the resulting incontestability granted the lead defendant the exclusive right to use its registered marks, the court held that the plaintiff's state common-law cause of action could not reach the right of the lead defendant and its affiliates to use the disputed marks.<sup>1311</sup>

## ii. Abandonment

Section 45 of the Act provides in part that:

A mark shall be deemed to be “abandoned” if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.<sup>1312</sup>

In addition to these two circumstances, courts also have recognized that abandonment of trademark rights can arise from naked licensing and assignments in gross.

### (A) Nonuse

The past year produced the usual reported opinion confirming that ongoing bona fide use of a mark will preclude a finding of abandonment grounded in the theory that the mark's owner has discontinued its use with an intent not to resume use.<sup>1313</sup> As that

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<sup>1310</sup> See *Moran v. Edie Parker, LLC*, 563 F. Supp. 3d 671 (E.D. Mich. 2021).

<sup>1311</sup> *Id.* at 677.

<sup>1312</sup> 15 U.S.C. § 1127 (2018).

<sup>1313</sup> See *Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021)).

court explained, “[a]bandonment . . . requires ‘both non-use and intent not to resume use.’ Neither is apparent here.”<sup>1314</sup> It therefore held that the claim of abandonment advanced by a defendant accused of infringement was no obstacle to the entry of a preliminary injunction.

To similar effect was a summary judgment opinion from another court in a case in which the mark at issue was used in connection with rubber curing machines.<sup>1315</sup> Having failed to prove its prior use of the disputed mark, the plaintiff claimed that the defendants had abandoned any rights they may have had because their sales were “irregular and highly sporadic,” comprising only eleven machines between 2007 and 2015.<sup>1316</sup> The plaintiff itself, however, had “only sold, rebuilt, or installed twenty-nine units over thirteen years, from 2006 to 2019.”<sup>1317</sup> Because the machines at issue were “‘large and expensive items,’ which can be sold infrequently and still constitute a bona fide use,”<sup>1318</sup> and because any gaps in the defendants’ use of its mark were in any case less than three consecutive years, the plaintiff failed as a matter of law to establish abandonment.<sup>1319</sup>

### ***(B) Loss of Trademark Significance***

Few reported opinions addressed in substantive fashion claims that marks have been abandoned because their owners have allowed them to lose significance as marks.<sup>1320</sup> Nevertheless, an exception to that general rule came in a dispute between competing claimants to the legacy of a circa-1800s bourbon distiller named J.W. Dant.<sup>1321</sup> The plaintiff was the most recent in a string of successors in interest to the business founded by Dant, while the defendant was a distillery formed by Dant’s descendants. Seeking to invalidate three J.W. DANT marks owned by the plaintiff, the defendant advanced the argument that, as summarized by the court, “[the plaintiff] has allowed the quality and sales of J.W. Dant to fall so far that the brand has lost its associated goodwill, leaving nothing for other users to infringe.”<sup>1322</sup> In entering a preliminary injunction in the plaintiff’s favor, the court proved an unreceptive

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<sup>1314</sup> *Id.* at 805 (quoting *Yellowbook Inc. v. Brandeberry*, 708 F.3d 837, 848 (6th Cir. 2013)).

<sup>1315</sup> *See Gerlach, Inc. v. Gerlach Maschinenbau GmbH*, 592 F. Supp. 3d 634 (N.D. Ohio 2022).

<sup>1316</sup> *Id.* at 644.

<sup>1317</sup> *Id.*

<sup>1318</sup> *Id.* (quoting *NetJets Inc. v. IntelliJet Grp., LLC*, 602 F. App’x 242, 245 (6th Cir. 2015)).

<sup>1319</sup> *Id.* at 644–45.

<sup>1320</sup> *See, e.g., id.* at 644 (rejecting as a matter of law claim of abandonment with cursory observation that the claimant “has not met the burden of demonstrating that the [disputed] mark has lost its significance as an indicator of origin”).

<sup>1321</sup> *See Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

<sup>1322</sup> *Id.* at 805.

audience for that theory, determining instead that “[a]lthough the J.W. Dant recipe has changed, its sales have declined, and the brand was sold as part of a much larger transaction, none of that shows the brand’s goodwill has evaporated entirely.”<sup>1323</sup>

### (C) *Naked Licensing*

Although “a naked or uncontrolled license may provide the basis for an inference of abandonment of a trademark,”<sup>1324</sup> two reported opinions rejected claims that plaintiffs had issued impermissibly nude licenses, one definitively and one provisionally. The first opinion came in a case in which a predecessor to the lead defendant extended to the plaintiff a circa-2000 license to use the disputed mark; following the license’s termination “in late 2005 or early 2006,” the plaintiff continued to use the mark, eventually claiming to own it under an abandonment-through-naked-licensing theory.<sup>1325</sup> The court rejected that assertion as a matter of law on a defense motion for summary judgment, holding as a threshold matter that “[i]f . . . there are no[ ] ‘minimum characteristics of a valid trademark-licensing agreement’ a court will not find that a naked license exists.”<sup>1326</sup> The court articulated two reasons for rejecting the plaintiff’s attempt to establish the existence of a license: “First, Plaintiff fails to show the characteristics of a valid trademark license—for example, royalty payments for the use of the . . . mark following termination of the 2000 license agreement. Second, the parties’ conduct does not support an implied license under the stringent proof required.”<sup>1327</sup> Without the required license, the court concluded, abandonment through naked licensing was impossible.<sup>1328</sup>

The second opinion arose from an unsuccessful motion to dismiss.<sup>1329</sup> The averments in the complaint at issue established that the plaintiff, a jewelry manufacturer, had entered into an agreement with the defendants styled as an exclusive distribution agreement. Although accepting the defendants’ argument that certain characteristics of the agreement lent themselves to a finding that a license existed between the parties, the court was unprepared to find that the plaintiff had failed to exercise the required degree of control over the defendants’ sales of goods bearing the plaintiff’s

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<sup>1323</sup> *Id.*

<sup>1324</sup> *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 97–98 (E.D.N.Y. 2021) (quoting *Gen. Motors Corp. v. Gibson Chem. & Oil Corp.*, 786 F.2d 105, 110 (2d Cir. 1986)).

<sup>1325</sup> *See Gerlach, Inc. v. Gerlach Maschinenbau GmbH*, 592 F. Supp. 3d 634, 637 (N.D. Ohio 2022).

<sup>1326</sup> *Id.* at 643 (quoting *Yellowbook Inc. v. Brandeberry*, 708 F.3d 837, 846 (6th Cir. 2013)).

<sup>1327</sup> *Id.* at 644.

<sup>1328</sup> *Id.*

<sup>1329</sup> *See BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83 (E.D.N.Y. 2021).

mark. It noted that the agreement barred the defendants from selling jewelry procured from sources other than the plaintiff, thus placing the plaintiff in the position of monitoring the quality of its own goods; as the court summarized that situation, “[the plaintiff] . . . was required to exercise a reasonable degree of control over a licensee who had not been entrusted with manufacturing or packaging the product, but merely providing it to retailers and ensuring against infringement by others.”<sup>1330</sup> “Whether [the plaintiff] in fact did so,” the court held, “cannot be determined on the pleadings.”<sup>1331</sup>

### iii. Prior Use

Section 33(b)(5) recognizes as a defense in an action to protect a registered mark “[t]hat the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant’s prior use and has been continuously used by such party or those in privity with him from a date prior to [the registrant’s constructive priority date].”<sup>1332</sup> Like each “defense of defect” recognized by Section 33(b), Section 33(b)(5)’s statutory defense is only to the evidentiary value of a plaintiff’s registration;<sup>1333</sup> nevertheless, because priority of use in commerce is a prerequisite for liability under the Act, proof of prior use by a defendant will defeat not only the prime facie or conclusive evidence of the registrant’s exclusive right to use its mark but also the registrant’s claims on the merits.

Faced with a counterclaim asserting infringement of a registered mark, one counterclaim defendant invoked Section 33(b)(5) as the basis of a motion to dismiss.<sup>1334</sup> According to its moving papers, its affirmative claims against the counterclaim plaintiffs established its priority of rights as a matter of law. The court evaluated that assertion using a four-part test:

“In order to assert a prior use defense, defendants must prove four elements: (1) present rights in the mark; (2) acquired prior to the date of registration; (3) continual use

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<sup>1330</sup> *Id.* at 99.

<sup>1331</sup> *Id.*

<sup>1332</sup> 15 U.S.C. § 1115(b)(5) (2018).

<sup>1333</sup> As the Supreme Court has explained in the context of an action to protect an incontestable mark:

[T]he . . . defenses enumerated in § 33(b) are not substantive rules of law which go to the validity or enforceability of an incontestable mark. Instead, the defenses affect the evidentiary status of registration where the owner claims the benefit of a mark’s incontestable status. If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner’s right to exclusive use of the mark.

*Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 200 n.6 (1985).

<sup>1334</sup> *See Kid Car NY, LLC v. Kidmoto Techs. LLC*, 518 F. Supp. 3d 740 (S.D.N.Y. 2021).

of the mark since that date; and (4) use prior to the registrant on the goods or services that are in issue.” “To prove bona fide usage, the proponent of the trademark must demonstrate that his use of the mark has been deliberate and continuous, not sporadic, casual or transitory.”<sup>1335</sup>

Although the counterclaim recited a date of first use of the counterclaim defendant’s mark predating that of the counterclaim plaintiffs’ mark, it was silent on the issue of whether the counterclaim defendant had continuously used its mark since then. It therefore could not support a finding as a matter of law at the pleadings stage that the counterclaim defendant enjoyed priority of rights.<sup>1336</sup>

#### iv. Descriptive Fair Use

Descriptive fair use, sometimes known as “classic” fair use, by a defendant of either the plaintiff’s mark or the words making up that mark may be justified under any of three theories. First, Section 33(b)(4) of the Act recognizes as a defense to the evidence of validity attaching to a registered mark that a defendant is using “otherwise than as a mark” a personal name or other words “fairly and in good faith only to describe the [associated] goods or services . . . or their geographic origin.”<sup>1337</sup> Second, the common law preserves defendants’ ability to use personal names and 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. Finally, Section 43(c)(3)(A) excludes from liability in a likelihood-of-dilution action “[a]ny fair use, including a . . . 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 own goods or services.”<sup>1338</sup>

Rather inexplicably, the case most crying out for an application of the descriptive fair use defenses under Section 33(b)(4) and the common law produced an opinion that did not even mention either by name.<sup>1339</sup> The plaintiff in that dispute was the successor in interest to a distillery founded in 1870 by a log-still bourbon producer named J.W. Dant, and owned various J.W. DANT marks for that beverage, while the defendant was a competing distillery

<sup>1335</sup> *Id.* at 758 (first quoting *Pilates, Inc. v. Current Concepts, Inc.*, 120 F. Supp. 2d 286, 312 (S.D.N.Y. 2000); and then quoting *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271–72 (2d Cir. 1974)).

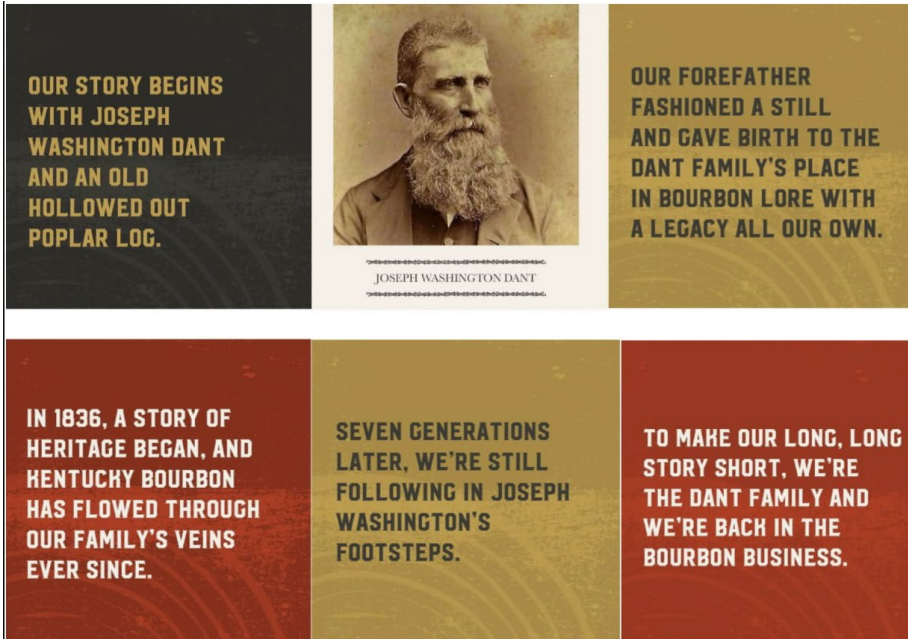
<sup>1336</sup> *Id.*

<sup>1337</sup> 15 U.S.C. § 1115(b)(4) (2018).

<sup>1338</sup> *Id.* § 1125(c)(3)(A).

<sup>1339</sup> *See Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

formed and led by Dant's modern-day descendants. Although the defendant sold its bourbon under the otherwise distinguishable MONK'S ROAD mark, it undertook numerous actions intended to recall Dant's "legacy" and "heritage," including naming its distillery's campus DANT CROSSING and use of advertising featuring images of both Dant and J.W. DANT-branded bottles, of which the Instagram posts are representative:<sup>1340</sup>



This went too far for the court, which granted the plaintiff's motion for a preliminary injunction with the observation that:

[The defendant] plainly states that its "products are built from [J.W. Dant's] story. From ideals of [our] forefathers." The thrust of its plan to build a brand was to "revive," "follow," and connect to the "legacy" and "heritage" of J.W. Dant. This is not merely describing history or a family connection; it is appropriating the goodwill of an existing brand. [The defendant] refers to the J.W. Dant marks in a trademark sense—"in a way that identifies the source of [its] goods," not just in a descriptive sense to accurately describe names, locations, and history associated with the products. Although many of the [defendant's] statements . . . , if read narrowly and literally, refer to J.W. Dant's history (and not to the spirits that bear his name today), the record indicates that [the defendant's] principal motivation is to sell its

<sup>1340</sup> *Id.* at 813.

competing spirits and tourist offerings—not simply to reminisce about family history.<sup>1341</sup>

With the court further concluding that “[t]he current record plainly supports a finding of trademark use,”<sup>1342</sup> any claim of descriptive fair use the defendant might have advanced fell by the wayside.

In stark contrast, however, another reported opinion came close to rendering a nullity Section 33(b)(4)’s requirement that a defendant’s use be otherwise than as a mark.<sup>1343</sup> The defendant previously had applied to register the challenged use with the USPTO, and the plaintiff had opposed that application. Despite what presumably was a sworn averment of trademark use in the file-wrapper history of the defendant’s application, the court declined to grant the plaintiff’s motion to dismiss the defendant’s assertion of descriptive fair use as an affirmative defense. The court acknowledged the validity of the plaintiff’s argument that the defense did not protect trademark uses. It nevertheless denied the motion, although it also issued a warning that the defendant “must navigate” its past positions “in any future dispositive motion papers.”<sup>1344</sup>

### v. Nominative Fair Use

A Pennsylvania federal district court applied the following rules governing claims of nominative fair use in the Third Circuit:

In the Third Circuit, nominative fair use is an affirmative defense. “Nominative fair use [ ] occurs if the only practical way to refer to something is to use the trademarked term. Nominative fair use cases are governed by a two-step approach: (1) the plaintiff must prove that defendant’s use of the plaintiff’s mark is likely to cause confusion; (2) the defendant must show that his nominative use of plaintiff’s mark was nonetheless “fair.” To establish that the use was “fair,” a defendant must show “(1) that the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflect[s] the true and

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<sup>1341</sup> *Id.* at 809 (third and fifth alterations in original) (citations omitted).

<sup>1342</sup> *Id.* at 819.

<sup>1343</sup> See *Gulfstream Aerospace Corp. v. Gulfstream Unsinkable Boats, LLC*, 530 F. Supp. 3d 1167 (M.D. Fla. 2021).

<sup>1344</sup> *Id.* at 1174.



accurate relationship between plaintiff and defendant's products or services."<sup>1345</sup>

The court did so in a case in which the defendant argued in a motion to dismiss that its use of the plaintiff's mark was only to indicate that the parties' goods were compatible. The court, however, held the defendant's bid for a finding of nonliability as a matter of law premature without a fully developed evidentiary record.<sup>1346</sup>

Lacking guidance from the District of Columbia Circuit, a D.C. district court adopted the Second Circuit's approach to the nominative fair use doctrine, which entailed as a threshold matter treating nominative fair use not as a classic affirmative defense but instead something to be overcome by the plaintiff.<sup>1347</sup> It then held that a claim of nominative fair use by a defendant required consideration of the standard likelihood-of-confusion factors, together with those endorsed by the Ninth Circuit, namely, whether (1) the plaintiff's good or service was one not readily identifiable without use of the plaintiff's mark, (2) whether the defendant had used only so much of the plaintiff's mark as reasonably necessary to identify the good or service, and (3) whether the defendant had done nothing in conjunction with the mark suggesting sponsorship or endorsement by the plaintiff.<sup>1348</sup> Those holdings transpired in a case in which the plaintiffs were private organizations that had developed various technical standards, some of which were later incorporated into federal law, while the defendant was a nonprofit group that had posted the standards online. Applying its newly adopted test, the court concluded as a matter of law that the defendant's textual references to the plaintiffs by name qualified as permissible nominative fair uses, especially in light of various disclaimers employed by the defendant.<sup>1349</sup> Nevertheless, it then concluded, also as a matter of law, that the defendant's uses of the plaintiffs' logos did not qualify for the doctrine's protection.<sup>1350</sup>

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<sup>1345</sup> *Digit. Dream Labs, LLC v. Living Tech. (Shenzhen) Co.*, 587 F. Supp. 3d 305, 325 (W.D. Pa. 2022) (first alteration in original) (quoting *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir. 2005)).

<sup>1346</sup> *Id.*

<sup>1347</sup> *See Am. Soc'y for Testing & Materials v. Public.Resource.Org, Inc.*, 597 F. Supp. 3d 213, 242 (D.D.C. 2022) (citing *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 168 (2d Cir. 2016)), *appeal docketed*, No. 22-7063 (D.C. Cir. Apr 29, 2022).

<sup>1348</sup> *Id.* at 241 (citing *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306–07 (9th Cir. 1992)).

<sup>1349</sup> *Id.* at 244.

<sup>1350</sup> *Id.* at 244–45.

## vi. Statutes of Limitation

The Lanham Act does not contain a statute of limitations,<sup>1351</sup> but two opinions addressed the statutes of limitations applicable to state-law torts. The first originated in a right of publicity action brought under Florida law and originating in the defendants' alleged use of the plaintiff's image to promote the defendants' adult entertainment club.<sup>1352</sup> The defendants' misconduct occurred on two separate occasions, one of which transpired before the applicable four-year statute of limitations and the other of which occurred within four years of the plaintiff filing suit. The trial court granted a defense motion to dismiss on the theory that the two alleged misuses of the plaintiff's image constituted a single publication, thereby rendering her claims more than four years old, but that holding failed to survive appellate scrutiny. Instead, a Florida appellate panel held that:

The allegations in the complaint indicate that [the defendants'] second publication was not the continued dissemination of a single edition of a book, newspaper, or online article. Instead, it was the result of a second decision by the [defendants] in 2016 to make a separate use of [the plaintiffs] likeness to promote a different event at the [defendants'] Club. In Florida, a separate and distinct decision to publish even identical information does not fall within the ambit of the single publication rule.<sup>1353</sup>

The trial court therefore had erred in granting the defendants' motion to dismiss.

In an action against a New York charter school and its employees,<sup>1354</sup> the federal district court producing the second opinion addressed the significance of two potentially applicable statutes of limitations under the law of that state, one requiring notice to those defendants within ninety days of the accrual of a cause of action<sup>1355</sup> and the other barring the assertion in court of such a cause of action one year after its accrual.<sup>1356</sup> It was apparent on the face of the plaintiff's complaint that she had missed both deadlines, but she successfully defeated a motion to dismiss her state-law claim of trademark infringement by invoking the continuing tort doctrine, pursuant to which each day of the defendants' alleged unlawful conduct constituted a separate and distinct violation of her rights. Noting the absence of controlling

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<sup>1351</sup> *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209, 220 (3d Cir. 2021).

<sup>1352</sup> *See Swedberg v. Goldfinger's S., Inc.*, 338 So. 3d 332 (Fla. Ct. App. 2022).

<sup>1353</sup> *Id.* at 336.

<sup>1354</sup> *See Thurber v. Finn Acad.*, 583 F. Supp. 3d 437 (W.D.N.Y. 2022).

<sup>1355</sup> N.Y. Educ. Law § 3813(1).

<sup>1356</sup> *Id.* § 3813(2-b).

authority from the New York Court of Appeals, the court invoked the holding of an intermediate state appellate panel that “trademark infringement and trademark dilution are continuing torts.”<sup>1357</sup> It therefore concluded that “the continuing tort doctrine applies to Plaintiffs’ proposed state law trademark infringement claim and that it is accordingly not barred . . . .”<sup>1358</sup> Nevertheless, it also warned the plaintiff that “as a general matter, ‘in the case of a continuing tort a plaintiff may recover only for injuries attributable to the part of the continuing tort that was committed within the limitations period immediately preceding the date on which suit is brought.’”<sup>1359</sup>

## ***b. Equitable Defenses***

### **i. Unclean Hands**

Two judicial treatments of the unclean hands doctrine were out of the ordinary. Most applications of the doctrine occur in the context of affirmative defenses by defendants. Nevertheless, and unusually, one court held that a counterclaim defendant’s “brazen misappropriation” of a counterclaim plaintiff’s mark, followed by the counterclaim defendant’s ill-advised infringement suit against the counterclaim plaintiff, constituted unclean hands favoring a grant of the counterclaim plaintiff’s preliminary injunction motion.<sup>1360</sup> “Many trademark cases involve claims of unclean hands,” the court found, “but this case is special.”<sup>1361</sup>

In a second improbable examination of the doctrine, an Iowa federal district court held that the allegedly unclean hands of a prevailing defendant did not bar that defendant from pursuing an award of attorneys’ fees.<sup>1362</sup> As the court explained, “[t]he unclean hands doctrine bars a party that acted inequitably from obtaining any equitable relief. But the Eighth Circuit has not treated the granting of attorney fees as equitable relief. Thus, defendant’s purported unclean hands would not bar it from obtaining attorney fees.”<sup>1363</sup> Nevertheless, based on its disapproval of the defendant’s unfulfilled threat to pursue sanctions against the plaintiff, the court found that “defendant’s own unreasonable conduct in threatening a

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<sup>1357</sup> *Thurber*, 583 F. Supp. 3d at 448 (quoting *De Medici v. Lorenzo De Medici, Inc.*, 475 N.Y.S.2d 391, 393 (App. Div. 1984)).

<sup>1358</sup> *Id.* at 449.

<sup>1359</sup> *Id.* at 449 n.3 (quoting *Gaudreau v. Am. Promotional Events, Inc.*, 511 F. Supp. 2d 152, 156–57 (D.D.C. 2007)).

<sup>1360</sup> *See Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 661 (N.D. Tex. 2022).

<sup>1361</sup> *Id.*

<sup>1362</sup> *See Pocket Plus, L.L.C. v. Runner’s High, LLC*, 579 F. Supp. 3d 1082 (N.D. Iowa), *aff’d sub nom.* *Pocket Plus, LLC v. Pike Brands, LLC*, 53 F.4th 425 (8th Cir. 2022).

<sup>1363</sup> *Id.* at 1092 (citations omitted).

motion for sanctions warrants an equitable reduction in the amount of the attorney fees awarded.”<sup>1364</sup>

## ii. Laches

The Third Circuit observed that “[t]he Lanham Act does not contain a statute of limitations and instead subjects all claims to ‘the principles of equity,’ such as laches.”<sup>1365</sup> For the most part, courts applied a tripartite test for laches that also considered the good faith of the defendants asserting the defense. For example, one held that:

To prove a laches defense, “a party must show that 1) plaintiff had knowledge of the infringing activity; 2) plaintiff inexcusably delayed in taking action; and 3) defendants would be prejudiced if plaintiff belatedly asserted its rights.” Further, because it is an equitable defense, “laches may not be used to shield a party from the consequences of conduct it knows to be wrongful.” Accordingly, the party asserting a laches defense must have acted in good faith.<sup>1366</sup>

In contrast, other courts applied a two-part test that considered only whether the plaintiff had inexcusably delayed bringing suit and whether that delay had prejudiced the defendant.<sup>1367</sup> However many requirements were identified, each was separately and independently necessary for laches to apply.<sup>1368</sup> Moreover, at least one court held that “intentional infringement acts as a bar to the assertion of a laches defense against an infringement suit seeking injunctive relief.”<sup>1369</sup>

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<sup>1364</sup> *Id.* at 1093.

<sup>1365</sup> *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209, 220 (3d Cir. 2021) (quoting 15 U.S.C. § 1115(b)(9) (2018)).

<sup>1366</sup> *Thurber v. Finn Acad.*, 583 F. Supp. 3d 437, 449 (W.D.N.Y. 2022) (quoting *Harley-Davidson, Inc. v. O’Connell*, 13 F. Supp. 2d 271, 279 (N.D.N.Y. 1998)); *see also* A.I.G. Agency, Inc. v. Am. Int’l Grp., Inc., 33 F.4th 1031, 1034 (8th Cir. 2022) (applying three-part test); *Shenzhen Kinwong Elec. Co. v. Kukreja*, 574 F. Supp. 3d 1191, 1239 (S.D. Fla. 2021) (same); *Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780, 799 (S.D. Ind. 2021) (same); *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 95 (E.D.N.Y. 2021) (same).

<sup>1367</sup> *See* *McKeon Prods., Inc. v. Howard S. Leight & Assocs., Inc.*, 15 F.4th 736, 742 (6th Cir. 2021); *Kars 4 Kids*, 8 F.4th at 220.

<sup>1368</sup> *See, e.g., Annie Oakley Enters.*, 559 F. Supp. 3d at 799 (dismissing laches defense on summary judgment with observation that “[w]ithout deciding whether the fact that the Accused Products could be discovered through a search of [Defendant’s] website—which is likely familiar to most ordinary people in this country and which [Plaintiffs] admitted to searching—is sufficient to demonstrate constructive knowledge, the Court concludes that laches does not bar Plaintiffs’ claims because [Defendant] was not sufficiently prejudiced”).

<sup>1369</sup> *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 95 (E.D.N.Y. 2021) (quoting *Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 107 (2d Cir. 2000)).

In resolving the question of whether plaintiffs inexcusably delayed in challenging defendants' uses, many courts referred to state statutes of limitations for corresponding torts; the delay was presumptively unreasonable if it exceeded that found in the relevant statute of limitations, but it was presumptively reasonable if not.<sup>1370</sup> In accordance with that rule, courts adopted such benchmarks as six years under New Jersey law and New York law in straightforward infringement and unfair competition actions<sup>1371</sup> Michigan law in an action to enforce the terms of a prior consent decree entered into by the parties,<sup>1372</sup> and four years under Florida law in an infringement action.<sup>1373</sup>

Whatever the precise benchmark might be, federal appellate courts proved unusually skeptical of claims of laches by defendants. One such tribunal was the Sixth Circuit, which affirmed a finding that the plaintiff before it had not unreasonably delayed in challenging the violation of a consent decree that had resolved an earlier dispute between the plaintiff and the defendant's predecessor.<sup>1374</sup> The defendant argued that the laches clock began running in 2004, when its violation first occurred, which meant that laches presumptively existed by the time the plaintiff sought to enforce the consent decree in 2018. That argument proved unsuccessful in light of the plaintiff's discovery of the violations only in 2017, after the defendant's infringing sales had begun "to spike."<sup>1375</sup> Moreover, having discovered those sales, the plaintiff pursued judicial relief within six months, in the meantime seeking an amicable resolution of the matter. Not only was any delay presumptively reasonable, but the defendant had failed to adduce any evidence of prejudice resulting from it. The district court therefore had not erred in rejecting the defendant's claim of laches.<sup>1376</sup>

The adoption of a state-law statute of limitations as a benchmark for the laches clock obviously does not resolve the question of when it should start ticking. The possible complexity of

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<sup>1370</sup> See, e.g., *Shenzhen Kinwong Elec. Co. v. Kukreja*, 574 F. Supp. 3d 1191, 1239 (S.D. Fla. 2021) (rejecting claim of laches as a matter of law based in part on alleged delay less than state-law benchmark); *Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC*, 552 F. Supp. 3d 901, 923 (N.D. Cal. 2021) (denying laches-based motion to dismiss allegations of false advertising with explanation that "[b]ecause the action was filed within any applicable statute of limitations, the strong presumption is that laches is inapplicable. Chattem fails to overcome this presumption").

<sup>1371</sup> See *Kars 4 Kids*, 8 F.4th at 221 (New Jersey); *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581, 606 (S.D.N.Y. 2022); *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 95 (E.D.N.Y. 2021) (New York).

<sup>1372</sup> See *McKeon Prods.*, 15 F.4th at 744–45.

<sup>1373</sup> See *Shenzhen Kinwong Elec. Co.*, 574 F. Supp. 3d at 1239.

<sup>1374</sup> See *McKeon Prods.*, 15 F.4th at 738–47.

<sup>1375</sup> *Id.* at 744.

<sup>1376</sup> *Id.* at 744–45.

the answer to that question was apparent in a Third Circuit opinion in which the Texas-based counterclaim plaintiff knew of the counterclaim defendant's infringement in 2003 and sent a demand letter in the same year.<sup>1377</sup> Based on trial testimony that the counterclaim plaintiff believed the letter had caused the counterclaim defendant to limit its activities in Texas, the district court found the counterclaim plaintiff had not unreasonably delayed in waiting to challenge the counterclaim defendant in court until 2015. In an appeal from the resulting rejection of laches by the district court, the Third Circuit credited the counterclaim defendant's showing that, whatever its actual activities in Texas may have been, it had used its infringing mark in national advertising accessible in the state. The court of appeals therefore vacated the counterclaim plaintiff's victory below and remanded the action for an examination of the significance of the counterclaim defendant's national activities to the required inquiries into the counterclaim plaintiff's delay and the possible resulting prejudice to the counterclaim defendant.<sup>1378</sup>

Albeit in an appeal from a case in which the defendant had successfully asserted the defense below, the Eighth Circuit also rejected a district court's disposition of a laches claim.<sup>1379</sup> The parties were both active in the insurance industry and had operated under similar names since "between 1968 and 1970."<sup>1380</sup> Although it was the junior user (but also the owner of a federal registration issued in 1981), the defendant sent demand letters to the plaintiff in 1995 and 2008, but the parties wound up in court only in 2017, when the plaintiff filed suit for infringement and the defendant asserted corresponding counterclaims. The timing of the plaintiff's suit led the district court to hold on a defense motion for summary judgment that laches barred that suit as a matter of law, and the plaintiff appealed.

In vacating and remanding the action, the court of appeals credited the plaintiff's showing that the defendant had begun progressively encroaching on its rights in 2012 by changing its marketing strategy to target consumers more aggressively through direct advertising. It held:

"[U]nder the doctrine of progressive encroachment, the time of delay is to be measured not from when the [claimant] first learned of the potentially infringing mark, but from when such infringement became actionable and provable." Thus, "the progressive encroachment doctrine requires a[ ] . . . finding of when the infringement became actionable to

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<sup>1377</sup> See *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209 (3d Cir. 2021).

<sup>1378</sup> *Id.* at 222.

<sup>1379</sup> See *A.I.G. Agency, Inc. v. Am. Int'l Grp., Inc.*, 33 F.4th 1031 (8th Cir. 2022).

<sup>1380</sup> *Id.* at 1033.

determine the period of delay[.]” Although a district court is not required “to locate the precise moment a trademark claim became actionable before proceeding with its laches analysis, more is required than merely citing marginal or irrelevant factors without reference to any of the principles governing trademark infringement.” The doctrine saves trademark holders from being “hoisted upon the horns of an inequitable dilemma—sue immediately and lose because the alleged infringer is insufficiently competitive to create a likelihood of confusion, or wait and be dismissed for unreasonable delay.”<sup>1381</sup>

The court then faulted the district court for failing to evaluate when, under the Eighth Circuit’s multifactored test for likely confusion, the plaintiff’s cause of action had arisen. Although the defendant itself had asserted the existence of a conflict between the parties’ respective marks in 1995 and 2008, the plaintiff was not obligated to accept the defendant’s assessment of the situation, especially in light of testimony that actual confusion had emerged only after the defendant’s changed promotional strategy. “In sum,” the court held, “the district court abused its discretion by not applying the proper analysis for progressive encroachment. Further, when we view the facts through the lens of the proper six-factor analysis, we find genuine disputes of material fact that preclude summary judgment on the basis of laches.”<sup>1382</sup>

Judicial skepticism toward claims of laches extended to district courts, including a New York federal district court that, like, the Third Circuit, accepted a claim that a defendant’s progressive encroachment might excuse what otherwise might be an inexcusable delay in acting.<sup>1383</sup> It did so in litigation brought by the Girl Scouts of the United States of America, which objected to certain uses of the words “scout,” “scouts,” and “scouting,” as well as the SCOUTS BSA and SCOUT ME IN marks, by the Boy Scouts of America once the latter organization opened its membership and its core programs to girls in October 2017. Seeking to escape liability as a matter of law, the Boy Scouts argued that they had implemented several coeducational programs prior to then, with the effect that, “as of December 31, 2017, [girls] amounted to approximately 4% of Boy Scouts’ total membership, with girls involved in those programs amounting to approximately 2.4% of Boy

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<sup>1381</sup> *Id.* at 1034–35 (alterations in original) (first quoting *Roederer v. J. Garcia Carrion, S.A.*, 569 F.3d 855, 859–60 (8th Cir. 2009); then quoting *id.* at 860; and then quoting *id.* at 859).

<sup>1382</sup> *Id.* at 1038.

<sup>1383</sup> See *Girl Scouts of the United States of Am. v. Boy Scouts of Am.*, 597 F. Supp. 3d 581 (S.D.N.Y. 2022).

Scouts' total membership."<sup>1384</sup> At least as far as summary judgment was concerned, however, the court credited the argument by the Girl Scouts that they were unaware of a provable claim prior to October 2017; it therefore declined to reach a finding of laches as a matter of law.<sup>1385</sup>

So too did another New York federal district court deny a laches-based motion to dismiss.<sup>1386</sup> According to the defendants' moving papers, the complaint's averments established the plaintiffs' knowledge of the defendants' allegedly infringing mark more than six years before filing suit, a period sufficient to trigger a presumption of inexcusable delay using the state statute of limitations for the corresponding tort as a benchmark. The court, however, divined factual disputes in those averments as to when the defendants' misconduct had begun and when the plaintiff had actually become aware of it. It also credited the plaintiff's allegation that it had been lulled into inaction by the defendants' false representations about the nature of their conduct. It therefore denied the motion by holding "[t]here are, in short, several topics that must be probed in discovery before plaintiff's trademark, counterfeiting, and unfair competition claims can be found lost to laches."<sup>1387</sup>

Likewise, a Florida federal district court rejected a laches defense on a motion for summary judgment.<sup>1388</sup> The court first faulted the defendants' claim of unreasonable delay, which rested on the theory that the registration of the infringing mark had placed the plaintiffs on constructive notice of the mark's use in August 2014: As the court explained, "the Plaintiffs filed this action in July 2018—well before the four-year 'touchstone' [under Florida law] had lapsed. Even taking the Defendants at their word, therefore, there's just no delay here."<sup>1389</sup> Beyond that, the defendants' claim of prejudice fell equally short because it rested largely on the plaintiffs' circa-2013 loss of certain e-mails, of which the court observed that "if [the] emails have been missing since 2013, then they'd necessarily have been missing for this litigation—whether the Plaintiffs filed this case in 2015 or 2018."<sup>1390</sup>

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<sup>1384</sup> *Id.* at 607.

<sup>1385</sup> *Id.*

<sup>1386</sup> *See* BJB Ltd. v. iStar Jewelry LLC, 533 F. Supp. 3d 83 (E.D.N.Y. 2021).

<sup>1387</sup> *Id.* at 96–97.

<sup>1388</sup> *See* Shenzhen Kinwong Elec. Co. v. Kukreja, 574 F. Supp. 3d 1191 (S.D. Fla. 2021).

<sup>1389</sup> *Id.* at 1239.

<sup>1390</sup> *Id.* at 1240.

The defendants also claimed a loss of business arising from the delay but failed to substantiate that claim with evidence; so too did they fail to substantiate their assertion that they relied on the plaintiffs' delay to their detriment. *Id.*



### iii. Acquiescence

“To establish the defense of acquiescence,” one court explained, “proof of three elements is required: ‘(1) the senior user actively represented that it would not assert a right or a claim; (2) the delay between the active representation and assertion of the right or claim was not excusable; and (3) the delay caused the defendant undue prejudice.’”<sup>1391</sup> “Acquiescence does not permit a plaintiff to sleep on his rights,” it continued, “but at the same time there is ‘no obligation to sue until the likelihood of confusion looms large’ and the ‘right to protection [has] clearly ripened.’”<sup>1392</sup>

The plaintiff before that court had entered into an exclusive distributorship agreement with the defendants, which the plaintiff did not terminate when it allegedly discovered the defendants were in breach, and the plaintiff also had granted its consent to the defendants’ registration of the mark the plaintiff claimed infringed its rights. Although the defendant claimed that both those considerations constituted affirmative representations of consent sufficient to satisfy the first prong of the acquiescence analysis, the court noted that the plaintiff accused the defendants of having misrepresented the nature of their allegedly infringing use to pretermite a challenge to the plaintiff and to secure the consent agreement. Because “a plaintiff only communicates active consent for the purposes of acquiescence when it makes assurances ‘with knowledge of defendant’s conduct,’”<sup>1393</sup> and because “the existence of inquiry notice is a disputed issue of law and fact that is not suitable for resolution on these pleadings,”<sup>1394</sup> the court denied the defendants’ bid to except liability at the pleadings stage.

## 3. Remedies

### a. Injunctive Relief

#### i. Prerequisites for Injunctive Relief

In *eBay Inc. v. MercExchange, L.L.C.*,<sup>1395</sup> the Supreme Court identified four showings a plaintiff must make to receive permanent injunctive relief:

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<sup>1391</sup> *BJB Ltd. v. iStar Jewelry LLC*, 533 F. Supp. 3d 83, 97 (E.D.N.Y. 2021) (quoting *Times Mirror Mags., Inc. v. Field & Stream Licenses Co.*, 294 F.3d 383, 395 (2d Cir. 2002)); see also *Gulfstream Aerospace Corp. v. Gulfstream Unsinkable Boats, LLC*, 530 F. Supp. 3d 1167, 1172 (M.D. Fla. 2021).

<sup>1392</sup> *BJB Ltd.*, 533 F. Supp. 3d at 97 (quoting *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P.C.*, 314 F.3d 62, 68 (2d Cir. 2002)).

<sup>1393</sup> *Id.* (quoting *ProFitness Physical Therapy Ctr.*, 314 F.3d at 68)).

<sup>1394</sup> *Id.*

<sup>1395</sup> 547 U.S. 388 (2006).

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>1396</sup>

In *eBay's* wake, the Court subsequently held in *Winter v. Natural Resources Defense Council, Inc.*<sup>1397</sup> that the same factors applied in the preliminary injunction context.<sup>1398</sup> Discussions of each of these prerequisites appeared in numerous opinions.

### (A) Irreparable Harm

Resolving a pronounced split among the circuits, the Trademark Modernization Act of 2020<sup>1399</sup> amended Section 34(a) of the Act to provide that:

A plaintiff seeking [an] injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation [of the Lanham Act] in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.<sup>1400</sup>

Not surprisingly, the restored (or confirmed) presumption obviated the need for a full irreparable-harm analysis in several opinions, which formulaically invoked the new Section 34(a) when entering or affirming the entry of both preliminary and permanent injunctions.<sup>1401</sup>

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<sup>1396</sup> *Id.* at 391.

<sup>1397</sup> 555 U.S. 7 (2008).

<sup>1398</sup> *Id.* at 20.

<sup>1399</sup> Pub. L. 116-260, 134 Stat. 2200 (2020).

<sup>1400</sup> 15 U.S.C. § 1116(a) (Supp. III 2021).

<sup>1401</sup> *See, e.g.,* AK Futures LLC v. Boyd St. Distro, LLC, 35 F.4th 682, 694 (9th Cir. 2022) (“The District Court correctly found that [the plaintiff] is likely to suffer irreparable harm absent an injunction. By statute, [the plaintiff] is entitled to a rebuttable presumption of irreparable harm on its trademark claim because the company has shown it will likely succeed on the merits.”); SoClean, Inc. v. Sunset Healthcare Sols., Inc., 554 F. Supp. 3d 284, 307 (D. Mass. 2021) (entering preliminary injunction with observation that “under the Trademark Modernization Act of 2020, [the plaintiff] is entitled to a (rebuttable) presumption of irreparable harm once the court has found that [the plaintiff] has a likelihood of success on the merits”), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

Of course, a plaintiff unable to demonstrate an actual or a likely violation of the Act cannot avail itself of the presumption. *See* Wise Man Brewing, LLC v. Three Bridges Distillery & Taproom, LLC, 599 F. Supp. 3d 586, 593 (E.D. Mich. 2022) (rejecting presumption with observation that the likelihood of confusion seems inapt in this case

As always, however, at least some courts did not rely only on the presumption when reaching findings of irreparable harm.<sup>1402</sup> For example, although citing the presumption approvingly,<sup>1403</sup> one New York federal district court found the plaintiffs, a pair of shoe manufacturers, irreparably harmed by a self-styled parodist whose shoes were constructed in such a way as to present a risk of consumer harm. In particular, the court found from the preliminary injunction record that “Plaintiffs have spent forty-five years, and millions of dollars in advertisement and marketing, to develop the brand recognition and success [their] shoes and associated Trade Dress enjoy today”;<sup>1404</sup> moreover, “[t]he [Defendant’s] shoe . . . creates a strong risk of consumer confusion and irreparable harm to the consumer recognition and goodwill cultivated by Plaintiffs.”<sup>1405</sup> Although the defendant represented it would “not develop, promote, or advertise allegedly infringing products ‘during the pendency of the litigation,’”<sup>1406</sup> the court noted that “Defendant failed to make any representations it will not continue to produce iterations of the [challenged] shoes following the conclusion of the present litigation for one reason: it intends to do precisely that.”<sup>1407</sup> It therefore found the irreparable harm necessary to support the plaintiff’s bid for preliminary injunctive relief.

Another court similarly cited the presumption favorably before finding that the plaintiff before it had sufficiently established irreparable harm as a factual matter to justify a preliminary injunction.<sup>1408</sup> The case producing that determination was a dispute between two purveyors of alcoholic beverages, in which the court credited the plaintiff’s showing that the defendant had attempted to blur the distinctions between the companies through repeated references to the founder of the plaintiff’s predecessor and the history of that predecessor, as well as reproductions of the plaintiff’s marks in its advertising and in its tasting rooms. In finding the plaintiff irreparably harmed, the court breezed past testimony by the plaintiff’s president that his company had *not* been so injured

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due to the apparent geographically distinct nature of Plaintiff’s mark and the lack of a secondary meaning”), *appeal docketed*, No. 22-1455 (6th Cir. May 23, 2022).

<sup>1402</sup> See, e.g., *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 659 (N.D. Tex. 2022) (citing presumption but also crediting counterclaim plaintiff’s claim of reputational damage arising from counterclaim defendant’s infringement in entering preliminary injunction).

<sup>1403</sup> See *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 602 F. Supp. 3d 358 (E.D.N.Y. 2022), *appeal docketed*, No. 22-1006 (2d Cir. May 22, 2022).

<sup>1404</sup> *Id.* at 372.

<sup>1405</sup> *Id.*

<sup>1406</sup> *Id.*

<sup>1407</sup> *Id.*

<sup>1408</sup> See *Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

and instead focused on his testimony that the plaintiff had “already lost at least some control of its brand, its reputation, its legacy, and goodwill.”<sup>1409</sup> “Given the evidence of an ongoing and serious injury to [the plaintiff’s] control of the goodwill and reputation of its brand,” the court observed, “it is difficult to say that [the plaintiff] has not shown an irreparable injury—much less that [the defendant] has carried its ‘heavy’ burden of rebutting the statutory presumption of such an injury.”<sup>1410</sup>

In reaching this finding, the court rejected two responsive arguments by the defendant. The first was the plaintiff had delayed for an apparent three-year period before seeking preliminary relief, a contention the court rejected in light of the plaintiff’s opposition to the defendant’s application to register a mark similar to the uses targeted by the injunction and the plaintiff’s repeated demand letters to the defendant.<sup>1411</sup> The second was a pseudo-unclean hands argument that the plaintiff had itself made nominative references to a third-party bourbon manufacturer and also had allowed yet another third-party manufacturer to refer to its brand, which was found unconvincing because “[t]his is precisely the type of non-trademark use . . . , in which a company accurately describes its associations with specific people and places.”<sup>1412</sup>

Nevertheless, the Tenth Circuit declined to apply the presumption in a case in which a district court had granted a preliminary injunction motion filed by the operator of an educational program for trial lawyers—characterized by the plaintiff as a “college”—prior to the effective date of the amended Section 34(a).<sup>1413</sup> Defending its victory on appeal, the plaintiff invoked the amendment, but it did so unsuccessfully:

After the district court ruled, Congress amended the Lanham Act to expressly allow a presumption of irreparable injury when the owner of a trademark proves likelihood of success on the merits. But no such presumption existed when the district court granted a preliminary injunction because the statute at that time didn’t mandate an injunction as a remedy. So we cannot presume irreparable injury based on a likelihood of trademark infringement. Without any presumption, the [plaintiff] had to show irreparable injury.<sup>1414</sup>

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<sup>1409</sup> *Id.* at 842.

<sup>1410</sup> *Id.*

<sup>1411</sup> *Id.*

<sup>1412</sup> *Id.*

<sup>1413</sup> See Trial Laws. Coll. v. Gerry Spence Trial Laws. Coll. at Thunderhead Ranch, 23 F.4th 1262 (10th Cir. 2022).

<sup>1414</sup> *Id.* at 1270 (citations omitted).

The unavailability of the presumption did not lead the court to overturn the district court's determination as a factual matter that the plaintiff would suffer irreparable harm in the absence of injunctive relief. That outcome rested in part on the plaintiff's efforts to protect its marks, of which the court noted that "[the plaintiff] presented testimony of its efforts to differentiate the College from competitors. These efforts include registration of trademarks, investment in branded merchandise, and restrictions on use of the College's name when alumni give presentations."<sup>1415</sup> The court also credited as evidence of irreparable harm the plaintiff's showing of ongoing actual confusion, although it also allowed that "[e]ven without actual confusion, the *likelihood* of confusion could contribute to a finding of irreparable injury."<sup>1416</sup> The district court therefore had not abused its discretion in finding that the plaintiff had demonstrated the existence of that injury,<sup>1417</sup> even if the plaintiff had suffered a quantifiable drop in revenues.<sup>1418</sup>

Of course, like all presumptions, the one now set forth in Section 34(a) can be rebutted. As this Review pointed out shortly after the passage of the Trademark Modernization Act,<sup>1419</sup> the Act and its legislative history leave open a significant issue, which is whether the restored (or confirmed) presumption shifts the burden of *proof* to a defendant against which it is asserted, or, alternatively, whether it merely shifts the burden of *production*. From a doctrinal perspective, Federal Rule of Evidence 301 provides a default rule under these circumstances, namely, that statutory presumptions enacted after the Rule's adoption in 1975 merely effect shifts of the burden of production:

In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of nonpersuasion, which remains throughout the trial upon the party on whom it was originally cast.<sup>1420</sup>

Assuming Rule 301 is, in fact, the appropriate default rule, a Third Circuit opinion demonstrated how easily defendants can rebut Section 34(a)'s new presumption of irreparable harm under a

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<sup>1415</sup> *Id.* at 1271.

<sup>1416</sup> *Id.* at 1273.

<sup>1417</sup> *Id.*

<sup>1418</sup> *Id.* at 1272.

<sup>1419</sup> See Theodore H. Davis Jr. & John Welch, *The Seventy-Third Year of Administration of the U.S. Trademark (Lanham) Act of 1946*, 111 Trademark Rep. 1, 2 n.5 (2021).

<sup>1420</sup> Fed. R. Evid. 301.

technical reading of the revised statutory language.<sup>1421</sup> In a dispute between competing pesticide manufacturers, that court affirmed a finding on a preliminary injunction motion that confusion was likely between the parties' marks. Although the plaintiff understandably invoked the presumption of irreparable harm, the Third Circuit eviscerated the presumption:

If the plaintiff's evidence . . . establish[es] likely trademark infringement, the TMA is triggered, and the burden of production shifts to the defendant to introduce evidence sufficient for a reasonable factfinder to conclude that the consumer confusion is unlikely to cause irreparable harm. But note . . . the sequence. So far, the court has not assessed any of the evidence for likely irreparable harm. Rather, the TMA's presumption means the court assumes irreparable harm, even if the plaintiff has proffered nothing in support. The focus trains on the defendant's evidence, and whether it is sufficient to rebut the TMA's presumption. A meaningful consideration of the facts, not a box-checking review of the [likelihood-of-confusion] factors, is key, aimed at determining whether the defendant's offering allows a reasonable conclusion that the consumer confusion shown by the plaintiff will not cause irreparable harm.

. . . If a defendant successfully rebuts the TMA's presumption by making this slight evidentiary showing, the presumption has no further effect. It has done its work and simply disappears like a bursting bubble.<sup>1422</sup>

What, then, could constitute the "slight evidentiary showing" necessary to dispose of the presumption? According to the Third Circuit, it could include some of the evidence proffered by the parties at the liability stage of the litigation, namely that bearing on the sophistication of the parties' customers. Without explaining how the plaintiff would not suffer irreparable harm among those customers—whom it previously had determined were likely to be confused—the court affirmed the district court's conclusion that the defendant had rebutted the presumption.<sup>1423</sup> By thus conflating what should be the separate and independent liability and irreparable-harm inquiries, the court allowed one likelihood-of-confusion factor favorable to the defendant to deprive the otherwise prevailing plaintiff of preliminary injunctive relief.

Whether that methodology is the correct one is open to debate. For one thing, the Supreme Court has held that Rule 301 need not have dispositive weight if the presumption at issue had a different

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<sup>1421</sup> See *Nichino Am., Inc. v. Valent U.S.A. LLC*, 44 F.4th 180 (3d Cir. 2022).

<sup>1422</sup> *Id.* at 186 (citation omitted).

<sup>1423</sup> *Id.* at 187.

meaning prior to its codification.<sup>1424</sup> And, for another, the TMA itself recites that “[t]he amendment [to Section 34(a)] shall not be construed to mean that a plaintiff seeking an injunction was not entitled to a presumption of irreparable harm before the date of [the] enactment of this Act,”<sup>1425</sup> which signals an apparent congressional intent to preserve the meaning of the presumption prior to the wave of opinions discounting it in the wake of the Supreme Court’s opinions in *eBay* and *Winter*, a meaning that does not seem to have had merely a burden-of-production-shifting effect. Finally, if the likelihood-of-confusion factors have any role to play in the irreparable harm inquiry—and the Third Circuit’s opinion neglects to explain why they should—it is just as logical to allow those factors favoring the plaintiff to fortify the presumption as it is to allow a single one favoring the defendant to dispose of it.

In any case, even those courts applying the presumption have long viewed claims of irreparable delay with skepticism in cases in which plaintiffs have delayed seeking relief, and one court did so in a dispute presenting a 116-day gap between the plaintiff’s knowledge of the defendants’ use of an alleged infringing mark for a restaurant and the filing of a preliminary injunction motion.<sup>1426</sup> Although finding the plaintiff not entitled to prevail on the merits, the court found that the plaintiff’s “significant delay” would have trumped the presumption of irreparable delay in any case.<sup>1427</sup> En route to that conclusion, the court rejected the plaintiff’s attempted reliance on settlement negotiations between the parties, the evidence of which failed to establish that they might have succeeded. It was equally unconvinced by the plaintiff’s intervening argument that the defendants’ opening of a second location under the disputed mark had led to increased confusion, noting that “the length of delay is measured from the time the plaintiff originally learned of the alleged violation or is put on notice thereof, not when the irreparable injury allegedly begins.”<sup>1428</sup> “Moreover,” the court concluded, “the plaintiff has failed to show that it would be irreparably harmed because it has not adequately alleged that it will lose control over its reputation, nor provided sufficient evidence showing a possible loss of goodwill in the industry,” especially in light of the plaintiff’s concession that the defendant’s services were not of deficient quality.<sup>1429</sup>

That outcome notwithstanding, another court both recognized the presumption of irreparable harm in the context of a preliminary

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<sup>1424</sup> See *Microsoft Corp. v. I4I Ltd. P’ship*, 564 U.S. 91, 103–04 (2011).

<sup>1425</sup> Pub. L. No. 116-260, § 226(b) (2020).

<sup>1426</sup> See *Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290 (S.D.N.Y. 2021).

<sup>1427</sup> *Id.* at 300.

<sup>1428</sup> *Id.* at 301 (citation omitted).

<sup>1429</sup> *Id.*

injunction motion and rejected delay-related attempts by the defendants to rebut it.<sup>1430</sup> Although the defendants accused the plaintiff of acting with “no sense of urgency at all,”<sup>1431</sup> the court disagreed. As it read the record, the plaintiff had responded to its discovery of the defendants’ impending infringement by addressing certain chain-of-title issues with its marks before sending a demand letter two weeks after that discovery. During the following two months, a licensee of the plaintiff unsuccessfully attempted to mediate a resolution, after which the plaintiff filed suit. The plaintiff then requested the entry of a default judgment when the defendants failed to answer the complaint, and, once the defendants finally appeared, sought interlocutory relief within a week of that appearance. “Because plaintiff has diligently and swiftly sought to defend its legal rights from the time of the . . . defendant’s [infringing use],” the court concluded, “there is no delay negating the presumption of irreparable harm.”<sup>1432</sup>

### ***(B) Inadequacy of Legal Remedies***

As usual, the requirement that a movant for injunctive relief demonstrate the inadequacy of legal remedies received little substantive attention in reported opinions. One court addressing the subject in the context of a preliminary injunction motion dismissed the potential entitlement of the counterclaim plaintiff before it to an accounting of the counterclaim defendant’s profits as evidence that monetary relief in and of itself could not make the counterclaim plaintiff whole in the absence of an injunction.<sup>1433</sup> Nevertheless, it also found that remedy necessary to protect the counterclaim plaintiff’s reputation from harm caused by certain prurient and off-color activities promoted at the counterclaim defendant’s tavern;<sup>1434</sup> moreover, and in addition to that potential reputational damage, purchasers of apparel sold by the counterclaim plaintiff might choose not to wear it, thereby depriving

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<sup>1430</sup> See *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460 (E.D.N.Y. 2021).

<sup>1431</sup> *Id.* at 469.

<sup>1432</sup> *Id.* at 470.

<sup>1433</sup> See *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 660 (N.D. Tex. 2022) (“Presumably [the counterclaim defendant] has records of [its] sales that it could produce in order to ascertain the amount of any award to [the counterclaim plaintiff]—or vice versa, should the merits ultimately go the other way. The point is that ill-gotten gains are readily calculable as between businesses that maintain accurate records. Those harms would not be sufficient to warrant a preliminary injunction because they are not irreparable.”).

<sup>1434</sup> *Id.* (“[The counterclaim defendant] has hosted ‘vibrator races’ in which sex toys are switched on, then placed at the top of an inclined track to see which one comes in first. It also has hosted ‘Wake & Bake’ brunches—the idea being that patrons get high (and, thus, hungry), then go for pancakes.” (citation omitted)).



the counterclaim plaintiff of “the advertising benefit it gains when purchasers wear clothes bearing the [counterclaim plaintiff’s] Mark.”<sup>1435</sup>

### *(C) Balance of the Hardships*

Courts proved reluctant to find that the balance of the hardships weighed against the entry of preliminary or permanent injunctive relief in cases in which prevailing plaintiffs otherwise had shown themselves entitled to that relief.<sup>1436</sup> For example, one found that “[t]he balance of potential harm to Defendants in restraining their trade in counterfeit and infringing branded goods if a preliminary injunction is issued is far outweighed by the potential harm to Plaintiff, its reputation, and its goodwill as a manufacturer and distributor of quality products, if such relief is not issued.”<sup>1437</sup> And a different court entered a permanent injunction after the defendant’s principal admitted in a deposition that that relief would “probably” not damage the defendant.<sup>1438</sup>

One dispute produced a (slightly) more detailed analysis of the issue.<sup>1439</sup> Attempting (unsuccessfully) to fend off a finding of irreparable harm by representing it would discontinue sales of the shoes that had led to the plaintiff accusing it of infringement and unfair competition. That representation ultimately was used to the defendant’s disadvantage in the court’s balancing of the equities, for, as the court found, “[a]ny harm to Defendant is significantly mitigated because Defendant agreed to cease selling [its] shoes during the pendency of this action.”<sup>1440</sup> That factor therefore favored a grant of the plaintiff’s motion for preliminary injunctive relief.

Another substantive discussion of the parties’ respective hardships came in a case in which the counterclaim plaintiff, which

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<sup>1435</sup> *Id.*

<sup>1436</sup> See, e.g., *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 475 (E.D.N.Y. 2021) (“Whereas the Court has already found a likelihood of success on the merits, it is unnecessary to weigh the balance of the hardships, which, in any event, would certainly tip in plaintiff’s favor. Thus, the Court finds that the public interest weighs in favor of granting an injunction.”); *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 308 (D. Mass. 2021) (concluding that balance of harms favored preliminary injunction against defendant’s promotion of its infringing product configuration outside of packaging based on finding that “[t]he court does not anticipate that [the defendant] will face substantial costs associated with complying with this order since it allows [the defendant] to continue to sell its competing [goods] in their current packaging”), *aff’d*, 52 F.4th 1363 (Fed. Cir. 2022).

<sup>1437</sup> *YETI Coolers, LLC v. Individuals, Bus. Entities, & Unincorporated Ass’ns Identified on Schedule A*, 566 F. Supp. 3d 1333, 1341 (S.D. Fla. 2021).

<sup>1438</sup> See *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 597 F. Supp. 3d 213, 246 (D.D.C. 2022), *appeal docketed*, No. 22-7063 (D.C. Cir. Apr 29, 2022).

<sup>1439</sup> See *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 602 F. Supp. 3d 358 (E.D.N.Y. 2022), *appeal docketed*, No. 22-1006 (2d Cir. May 22, 2022).

<sup>1440</sup> *Id.* at 973.

sold clothing as its primary business, successfully demonstrated likely confusion between its mark and one used on competitive clothing sold by the counterclaim defendant, a tavern, as an ancillary source of revenue.<sup>1441</sup> In granting the counterclaim defendant's preliminary injunction motion, the court noted that:

[A]n injunction against [the counterclaim defendant's] use of the [infringing] Mark on apparel imposes virtually no costs on [the counterclaim defendant], while it would protect [the counterclaim plaintiff's] sole revenue stream—clothing sales. Any items in [the counterclaim defendant's] possession would remain in its possession—though, for all intents and purposes, impounded—until this case is finally resolved. And it could always design its own mark to sell on hats and shirts in the meantime.

. . . .

. . . That [the counterclaim defendant] has elected to stake its reputation to someone else's trademark is regrettable, but it is a problem [the counterclaim defendant] was best positioned to avoid. Even today, [the counterclaim defendant] is capable of pursuing a license to use the Mark from [the counterclaim plaintiff]; it is best positioned to decide whether it is cheaper for it to comply with the Court's injunction or pay [the counterclaim plaintiff's] price, thus rendering the injunction unnecessary.<sup>1442</sup>

Separate and independent of those considerations, the equities of the underlying facts, which included the counterclaim defendant's bad-faith adoption of its mark and what appeared to be its false claim of a date of first use in registering that mark, favored injunctive relief.<sup>1443</sup>

Nevertheless, some courts found that the balance of the hardships favored the denial of preliminary injunctions.<sup>1444</sup> One such denial rested in part on the court's earlier findings that the plaintiff was unlikely to prevail on the merits of its claim of infringement and could not demonstrate it would suffer irreparable harm without an injunction. Still, however, the court additionally found that "[t]he defendants would incur considerable expense in redesigning their logo and references to it and in marketing any new design and name. They would also lose whatever goodwill they have built up in their current design and name."<sup>1445</sup> "By contrast," it also found, "the plaintiff has not demonstrated that it would be

<sup>1441</sup> See *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624 (N.D. Tex. 2022).

<sup>1442</sup> *Id.* at 660–61.

<sup>1443</sup> *Id.* at 662–63.

<sup>1444</sup> See *Two Hands IP LLC v. Two Hands Am., Inc.*, 563 F. Supp. 3d 290 (S.D.N.Y. 2021).

<sup>1445</sup> *Id.* at 308.

irreparably harmed by the defendants' continued use of [their] respective marks.”<sup>1446</sup>

Another court finding that a balancing of the parties' respective harms favored the defendant did so in a case in which it previously had determined that the plaintiff's claimed geographically descriptive marks were invalid for want of acquired distinctiveness.<sup>1447</sup> That might have meant the demise of the plaintiff's bid for a preliminary injunction in and of itself, but the court went on to discount the plaintiff's claim that it would suffer greater harm in the absence of injunctive relief than the defendant would if enjoined. “Just as Plaintiff would lose its trademark absent an injunction,” the court found, “so too would Defendant if an injunction issues. So the injunction nullifies itself in this regard.”<sup>1448</sup> “Further,” it continued, “the risk of Plaintiff losing business seems highly unlikely, as the parties' storefronts are located roughly 350 miles away from each other. By contrast, enjoining Defendant, which only recently opened its storefront, would essentially cause it to lose all business after investing much to open and begin operations.”<sup>1449</sup> The outcome of the balancing therefore provided an additional reason to deny the plaintiff's motion.

### **(D) Public Interest**

As always, findings of liability typically led to concomitant findings that the public interest favored the entry of injunctive relief.<sup>1450</sup> Thus, for example, in the counterfeiting context, one court entering a preliminary injunction observed that “[t]he public interest favors issuance of the preliminary injunction to protect Plaintiff's trademark interests and protect the public from being defrauded by the palming off of counterfeit products as Plaintiff's

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<sup>1446</sup> *Id.*

<sup>1447</sup> *See Wise Man Brewing, LLC v. Three Bridges Distillery & Taproom, LLC*, 599 F. Supp. 3d 586 (E.D. Mich. 2022), *appeal docketed*, No. 22-1455 (6th Cir. May 23, 2022).

<sup>1448</sup> *Id.* at 593.

<sup>1449</sup> *Id.*

<sup>1450</sup> *See, e.g., Lexington Ins. Co. v. Ambassador Grp.*, 581 F. Supp. 3d 863, 870 (W.D. Ky. 2021) (“[T]he ordered relief here is in the public interest because it enjoins further alleged violations of trademark law and protects the integrity of the insurance system by preventing ongoing fraudulent insurance sales.”); *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 475 (E.D.N.Y. 2021) (“The Second Circuit has long held that there is a strong interest in preventing public confusion.” (quoting *Juicy Couture, Inc. v. Bella Int'l Ltd.*, 930 F. Supp. 2d 489, 505 (S.D.N.Y. 2013))); *Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC*, 575 F. Supp. 3d 785, 843 (W.D. Ky. 2021) (granting preliminary injunction motion with observation that “[t]rademark law is by its nature focused on the public's interest in ensuring that consumers know what they are purchasing and can make informed decisions”); *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 308 (D. Mass. 2021) (“[A]s is almost always the case in trademark cases where the Plaintiff has established a likelihood of consumer confusion, the public interest favors granting the [preliminary] injunction.”), *aff'd*, 52 F.4th 1363 (Fed. Cir. 2022).

genuine goods.”<sup>1451</sup> Likewise, another court disposed of a defendant’s argument in opposition to a preliminary injunction motion that the public would benefit from its exercise of its putative First Amendment right to continue infringing the plaintiffs’ trademark rights by holding that “while the public has an interest in free expression, ‘[t]he consuming public [also] has a protectable interest in being free from confusion, deception and mistake[.]’”<sup>1452</sup>

Nevertheless, the Ninth Circuit served up a more robust treatment of the issue in a case in which the parties sold e-cigarette and vaping products containing delta-8 tetrahydrocannabinol (“delta-8 THC”), a chemical compound derived from hemp.<sup>1453</sup> The defendant advanced three arguments why the public interest disfavored a preliminary injunction against its misappropriation of the plaintiff’s mark. The first was that the plaintiff’s goods were unlawful, which failed because of the court’s conclusion to the contrary.<sup>1454</sup> The court also rejected the second, namely, that “delta-8 THC is potentially unsafe for consumers, so an injunction protecting marks used in connection with these products may never be in the public interest,” based on its conclusion that “[a]greeing with [the defendant] . . . would not keep delta-8 THC products off of the market, rather it would let a store continue to sell counterfeit versions of unknown origin.”<sup>1455</sup> “Finally,” the court held, “[the defendant] alludes to an argument that an injunction will not help trace the origins of the counterfeit . . . products [sold by the defendant]. But as already explained, the public interest benefits from curtailing the sale of counterfeit products, which this injunction does.”<sup>1456</sup>

Finally, and unusually, one court adopted a skeptical view of the significance of the public interest in evaluations of the propriety of injunctive relief.<sup>1457</sup> It observed that:

[D]iscussions of the public interest are unhelpful in the trademark-injunction context, as they are little more than proxies for the strength of the moving party’s case. If the allegedly infringing party is competing lawfully, the public interest favors competition for all the well-understood reasons—lower prices, higher quality, greater innovation. If,

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<sup>1451</sup> YETI Coolers, LLC v. Individuals, Bus. Entities, & Unincorporated Ass’ns Identified on Schedule A, 566 F. Supp. 3d 1333, 1341 (S.D. Fla. 2021).

<sup>1452</sup> Vans, Inc. v. MSCHF Prod. Studio, Inc., 602 F. Supp. 3d 358, 373 (E.D.N.Y. 2022) (alterations in original) (quoting NYP Holdings v. N.Y. Post Publ’g Inc., 63 F. Supp. 3d 328, 342 (S.D.N.Y. 2014)), *appeal docketed*, No. 22-1006 (2d Cir. May 22, 2022).

<sup>1453</sup> See AK Futures LLC v. Boyd St. Distro, LLC, 35 F.4th 682 (9th Cir. 2022).

<sup>1454</sup> *Id.* at 694.

<sup>1455</sup> *Id.* at 695.

<sup>1456</sup> *Id.*

<sup>1457</sup> See Savage Tavern, Inc. v. Signature Stag, LLC, 589 F. Supp. 3d 624 (N.D. Tex. 2022).

on the other hand, the infringing party is violating another's trademarks, the public interest favors preventing deception and confusion because "[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."<sup>1458</sup>

The court's view on the issue did not, however, preclude the prevailing counterclaim defendant from securing the preliminary injunction it sought.

## ii. Terms of Injunctive Relief

A Texas federal district court addressed, and rejected, the argument that an injunction requiring a defendant to discontinue its unlawful use of a particular unlawful mark constitutes a disfavored mandatory injunction.<sup>1459</sup> The distinction between mandatory and prohibitory injunctions is important because "[a] stronger showing by plaintiff is required for a mandatory preliminary injunction that requires [a] defendant to take actions that cannot be undone or steps to alter the status quo";<sup>1460</sup> consequently, "[t]he facts and law must *clearly* favor the moving party for such an injunction to be warranted."<sup>1461</sup>

In the case in which the issue arose, the counterclaim plaintiff sought a preliminary injunction not only preventing the counterclaim defendant—a tavern—from selling goods under its infringing mark but also requiring the defendant to replace menus featuring the mark and maintaining, "either passively or actively," advertisements with it.<sup>1462</sup> The counterclaim defendant sought to escape those terms by characterizing them as mandatory, but the court held otherwise:

In a trademark case, however, the status quo to be preserved is the situation prior to the time the alleged infringer began using the mark, for that is the last peaceable, non-contested status of the case. Thus, "[a] preliminary injunction that orders [the] defendant to cease its use of the infringing mark is one that maintains the status quo prior to defendant's use and is not a mandatory injunction." Accordingly, the preliminary injunction [the counterclaim plaintiff] seeks is prohibitory, not mandatory, despite the

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<sup>1458</sup> *Id.* at 662 (second alteration in original) (quoting *T-Mobile US, Inc. v. AIO Wireless LLC*, 991 F. Supp. 2d 888, 929 (S.D. Tex. 2014)).

<sup>1459</sup> *See id.* at 639.

<sup>1460</sup> *Id.* (second alteration in original) (quoting *J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition* § 30:50 (5th ed.)).

<sup>1461</sup> *Id.*

<sup>1462</sup> *Id.* at 666.

fact that it would compel [the counterclaim defendant] to undertake, rather than cease, certain actions.<sup>1463</sup>

On a different issue, full-blown asset freezes are rare, but a plaintiff successfully secured one on a motion for preliminary injunctive relief after demonstrating the defendants had engaged in the online trafficking of goods bearing counterfeiting imitations of the plaintiff's marks.<sup>1464</sup> That was not the full extent of the order, however, for the court also ordered "all financial institutions, payment processors, bank, escrow services, money transmitters, or marketplace platforms" served with the order to provide the plaintiff's counsel "with all data that details (i) an accounting of the total funds restrained and identify the financial account(s) and sub-account(s) which the restrained funds are related to, and (ii) the account transactions related to all funds transmitted into the financial account(s) and sub-account(s) which have been restrained."<sup>1465</sup> These provisions were in addition to more conventional prohibitions on the defendants continuing their unlawful conduct.<sup>1466</sup>

Another strongly worded preliminary injunction emerged from litigation against a defendant that manufactured shoes found to infringe the trademark and trade dress rights of a pair of manufacturers of the same goods.<sup>1467</sup> Not only did the court bar the defendant from continuing to produce, market, and take orders for, its shoes, it required the defendant to "reverse and/or cancel" any outstanding such orders.<sup>1468</sup> Moreover, the court held that:

[F]or any order that cannot be reversed and/or cancelled, Defendant must escrow any funds received from all orders taken to date for the Prohibited Shoes so that, if [Plaintiffs] prevail[ ] in this action, Defendant may return those funds to customers who ordered Defendant's Prohibited Shoes under the mistaken belief that [Plaintiffs were] the source of the shoes or otherwise approved or sponsored the shoes.<sup>1469</sup>

Despite these outcomes, the Tenth Circuit reversed certain aspects of a preliminary injunction appealed to it.<sup>1470</sup> That appeal

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<sup>1463</sup> *Id.* (first and second alterations in original) (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:50 (5th ed.)).

<sup>1464</sup> *See* YETI Coolers, LLC v. Individuals, Bus. Entities, & Unincorporated Ass'ns Identified on Schedule A, 566 F. Supp. 3d 1333 (S.D. Fla. 2021).

<sup>1465</sup> *Id.* at 1343.

<sup>1466</sup> *Id.* at 1341.

<sup>1467</sup> *See* Vans, Inc. v. MSCHF Prod. Studio, Inc., 602 F. Supp. 3d 358 (E.D.N.Y. 2022), *appeal docketed*, No. 22-1006 (2d Cir. May 22, 2022).

<sup>1468</sup> *Id.* at 373.

<sup>1469</sup> *Id.*

<sup>1470</sup> *See* Trial Laws. Coll. v. Gerry Spence Trial Laws. Coll. at Thunderhead Ranch, 23 F.4th 1262 (10th Cir. 2022).

arose from a dispute between claimants for control of an educational program for trial lawyers styled as a college, which had in the past taken place at a ranch owned by the defendants. The ranch featured two sculptures described by the court as “includ[ing] a logo registered as (1) the cattle brand for the ranch and (2) the trademark of the College.”<sup>1471</sup> The district court’s injunction required the defendants to remove the sculptures, an outcome the appellate court held went too far:

Preliminary injunctions are typically “prohibitory” in the sense that they prohibit the defendant from doing something. Other injunctions are considered “mandatory” when they “affirmatively require” action.

In ordering removal of the sculptures, the district court imposed a mandatory injunction by affirmatively ordering the [defendants] to take action. The court could have issued a prohibitory injunction by disallowing training programs at the ranch as long as the sculptures remained visible to attendees. But the court went further by ordering the [defendants] to remove the sculptures. In requiring affirmative conduct, the court issued an injunction that was mandatory rather than prohibitory.<sup>1472</sup>

Especially in light of the lack of ongoing use of the ranch by the defendants and the availability of relief prohibiting that use, the district court had abused its discretion in requiring the statues’ removal.<sup>1473</sup>

### iii. Security

Under ordinary circumstances, Rule 65(c) of the Federal Rules of Civil Procedure requires the successful movant for interlocutory relief to post a bond “in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained”;<sup>1474</sup> assuming a defendant is wrongfully enjoined, 28 U.S.C. § 1352 allows that defendant to

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<sup>1471</sup> *Id.* at 1274.

<sup>1472</sup> *Id.* at 1274–75 (citations omitted).

<sup>1473</sup> *Id.* at 1275.

The court did, however, affirm the district court’s prohibitions on the defendants representing themselves as comprising the true board of directors of the college or characterizing their programs as part of the college. *Id.* at 1276.

<sup>1474</sup> Fed. R. Civ. P. 65(c).

For an opinion declining, without extended analysis, to require a bond in support of a preliminary injunction, see *Holbrook Mfg. LLC v. Rhyno Mfg., Inc.*, 497 F. Supp. 3d 319, 342 (N.D. Ill. 2020) (“Defendants did not request that Plaintiffs post a bond should Plaintiffs be successful on their Preliminary Injunction Motion. The Court nevertheless finds that based on the relief granted in this Order, issuance of a bond is not appropriate.”).

pursue an action to recover monetary relief in the amount of the bond.<sup>1475</sup> Likewise, should a federal district court strengthen the terms of a preliminary or permanent injunction pending an appeal, Rule 62(d)(2) provides that “[w]hile an appeal is pending from an interlocutory order or final judgment that grants, continues, modifies, refuses, dissolves, or refuses to dissolve or modify an injunction, the court may suspend, modify, restore, or grant an injunction [with the posting of a] bond or other terms that secure the opposing party’s rights.”<sup>1476</sup>

The entitlement of preliminarily enjoined defendants to security was not the subject of extended discussions in reported opinions.<sup>1477</sup> Nevertheless, a rare exception to this general rule came in a case in which, having converted a temporary restraining order into a preliminary injunction, the court held:

Pursuant to 15 U.S.C. § 1116(d)(5)(D) and Federal Rule of Civil Procedure 65(c), the Plaintiff shall maintain its previously posted bond in the amount of Ten Thousand Dollars and Zero Cents (\$10,000.00), as payment of damages to which Defendants may be entitled for a wrongful injunction or restraint, during the pendency of this action, or until further Order of the Court. In the Court’s discretion, the bond may be subject to increase should an application be made in the interest of justice . . . .<sup>1478</sup>

#### iv. Contempt

Although motions for contempt have fairly high success rates in trademark and unfair competition litigation, one failed in an action in which the plaintiffs’ predecessor had in 2013 successfully secured preliminary injunctive relief against “hundreds of participants in Chinese counterfeiting networks.”<sup>1479</sup> The resulting injunctive relief barred the defaulting defendants “and all persons acting in concert or in participation with any of them . . . from transferring, withdrawing or disposing of any money or other assets into or out of [Defendants’ accounts] regardless of whether such money or assets are held in the U.S. or abroad.”<sup>1480</sup> In 2019, a successor in interest

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<sup>1475</sup> 28 U.S.C. § 1382 (2018).

<sup>1476</sup> Fed. R. 65(d)(2).

<sup>1477</sup> See *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460, 476 (E.D.N.Y. 2021) (“Whereas the parties have not submitted any evidence regarding these costs or the profits generated at defendants’ store, the Court finds that a \$10,000 bond or escrow is sufficient to cover all potential costs and damages that defendants may incur if it is later found that they were wrongfully enjoined.”).

<sup>1478</sup> *YETI Coolers, LLC v. Individuals, Bus. Entities, & Unincorporated Ass’ns Identified on Schedule A*, 566 F. Supp. 3d 1333, 1344 (S.D. Fla. 2021).

<sup>1479</sup> See *Next Invs., LLC v. Bank of China*, 12 F.4th 119, 123 (2d Cir. 2021).

<sup>1480</sup> *Id.* (alterations in original).



to the defendants moved to hold six Chinese branches of domestic banks indisputably covered by the district court's orders in contempt for allegedly failing to implement the asset restraints and to produce certain documents in discovery.

The Second Circuit affirmed the district court's denial of the motion for four separate reasons, the first of which was the plaintiffs' delay in seeking relief for six years after the alleged contempt. Calling the delay "difficult to explain," the court noted that the plaintiffs' predecessors were "sufficiently suspicious of ongoing violations" that they had promptly served the six nonparty banks with an initial temporary restraining order entered by the district court, along with notices of subsequent developments, including the conversion of the TRO into a preliminary injunction.<sup>1481</sup> "But," the court continued, "instead of acting on their suspicions and taking any steps to compel the Banks' compliance, Plaintiff[] allowed six years to pass while at least \$150 million in alleged damages accumulated."<sup>1482</sup> Even more damning, the plaintiffs' predecessors had for four years disclaimed any intent to enforce the asset restraints against the alleged contemnors, which had the effect of preventing the court from addressing the Banks' objections to the orders during that period of accumulation.<sup>1483</sup> Calling the tactics of the plaintiff and its predecessors "gamesmanship,"<sup>1484</sup> the court held that the district court had not abused its discretion in declining to hold the banks in contempt.

That was not the only reason for an affirmance, however. Another was the court's identification of several "fair ground[s] of doubt" whether the original injunction could bind the banks in the first instance.<sup>1485</sup> To begin with, the court held, "[t]o avoid a conflict with Chinese law, principles of international comity might limit the asset restraints' geographic scope to domestic accounts,"<sup>1486</sup> which gave the domestic banks "a reasonable basis to doubt whether the asset restraints applied to their foreign branches."<sup>1487</sup> An additional fair ground of doubt was whether, under New York corporate law's "separate entity" rule, the Chinese branches targeted by the plaintiffs' motion were bound by the terms of the district court's orders, even if the orders clearly applied to those branches' domestic affiliates; without necessarily resolving that issue, the court once again sided with the Chinese branches by faulting the plaintiff for failing "to identify a legal principle that clearly subjects the Chinese

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<sup>1481</sup> *Id.* at 129.

<sup>1482</sup> *Id.*

<sup>1483</sup> *Id.*

<sup>1484</sup> *Id.* at 130.

<sup>1485</sup> *Id.* at 131 (alteration in original).

<sup>1486</sup> *Id.*

<sup>1487</sup> *Id.* at 132.

branches to the asset restraints, whether by blocking application of the separate entity rule or by reaching the Chinese branches notwithstanding the separate entity rule.”<sup>1488</sup> Beyond that, the record did not establish the Chinese branches had been in “active concert or participation” with the defendants in a manner clearly and unambiguously rendering the branches subject to the asset restraints.<sup>1489</sup>

Having thus declined to disturb the district’s refusal to hold the Chinese branches in contempt for their alleged failure to comply with the asset restraint, the court turned to the issue of whether two of those branches had failed to comply with requests in discovery for documents associated with several accounts used in the counterfeiting scheme. That theory of contempt failed as well, based on the plaintiff’s inability to establish, much less by the required clear and convincing proof, that the documents even existed.<sup>1490</sup> The district court’s order therefore withstood appellate scrutiny in its entirety.

### ***b. Monetary Relief***

#### **i. Damages**

#### ***(A) Actual Damages***

##### **(1) Eligibility of Prevailing Plaintiffs for Awards of Actual Damages**

The Sixth Circuit delivered up a comprehensive summary of the various theories under which a prevailing plaintiff might recover its actual damages:

Compensatory damages at common law generally sought to place plaintiffs in the “substantially equivalent” position that they would have been in if no tort had occurred. A recoverable “loss” thus can take a variety of forms. A trademark owner might seek to recover profits that it has lost because a competitor used an infringing mark to poach sales to customers. If a holdover licensee continues to use a mark, the trademark owner might also seek the royalties that it would have earned on the licensee’s illicit sales under the licensing agreement. Apart from these “lost profits,” a trademark owner might further seek to recover for the “lost goodwill” that arose when consumers bought the infringer’s inferior product and soured on the owner’s brand as a result. Or a trademark owner might seek to recover the “damage

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<sup>1488</sup> *Id.* at 133.

<sup>1489</sup> *Id.*

<sup>1490</sup> *Id.* at 135–35.

control costs” that it incurred to reduce the harm from the infringer’s conduct—say, by spending money on advertisements clarifying that the owner has no affiliation with the infringer.<sup>1491</sup>

This restatement came in an opinion originating in a district court’s rejection of a jury award of \$1,000,000 in actual damages. Despite the appellate court’s recognition of the multiple bases on which that award might have rested, it held that the trial record justified none of them because: (1) the plaintiff had recovered the defendant’s profits on the only sales at issue by the time of trial; (2) there was no evidence of actual confusion; and (3) the plaintiff had not undertaken any corrective advertising.<sup>1492</sup>

As that outcome suggests, a leading, if not the primary, criterion for an award of actual damages in the form of a plaintiff’s own lost profits is a showing by a prevailing plaintiff seeking that remedy of actual confusion or deception caused by a defendant’s conduct. One plaintiff learning that point the hard way produced records apparently documenting its lost sales and profits during discovery.<sup>1493</sup> Unfortunately for its bid for an award of actual damages, it neglected to tie those losses to any conduct by the defendant, much less any actual confusion between the parties’ marks; indeed, the defendant successfully argued in a motion for summary judgment that the plaintiff’s showing covered a time period “nearly five months” after the defendant’s discontinuance of its allegedly infringing mark.<sup>1494</sup> Although the plaintiff’s president represented during a deposition that the company’s sales representatives would provide the necessary nexus between its claimed losses and the defendant’s actions, the connection was absent from the summary judgment record, leading the court to find as a matter of law that the plaintiff was ineligible to pursue an award of its actual damages.<sup>1495</sup>

With its personal jurisdiction- and venue-based challenges to being haled into a Washington federal district court having failed, one defendant argued that it should be held to answer only for those actual damages the plaintiff could prove were linked to that state.<sup>1496</sup> As a technical matter, that argument did not take the form of a challenge to the plaintiff’s eligibility for an award of damages

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<sup>1491</sup> *Max Rack, Inc. v. Core Health & Fitness, LLC*, 40 F.4th 454, 476 (6th Cir. 2022) (citations omitted) (first quoting Restatement (Second) of Torts § 903 cmt. a (Am. L. Inst. 1979); then quoting *Balance Dynamics Corp. v. Schmitt Indus.*, 204 F.3d 683, 691 (6th Cir. 2000); and then quoting *id.*), *reh’g denied*, No. 20-3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022).

<sup>1492</sup> *Id.* at 476–77.

<sup>1493</sup> *See Sunlighten, Inc. v. Finnmark Designs, LLC*, 595 F. Supp. 3d 957 (D. Nev. 2022).

<sup>1494</sup> *Id.* at 972.

<sup>1495</sup> *Id.*

<sup>1496</sup> *See Corker v. Costco Wholesale Corp.*, 585 F. Supp. 3d 1284 (W.D. Wash. 2022).

outside of Washington but instead was couched in terms of the court's alleged lack of jurisdiction over such an award. In any case, however, the court rejected that argument, holding to the contrary that the plaintiff could pursue nationwide damages, despite the defendant's having sold "only a small portion" of its goods in Washington.<sup>1497</sup>

A final reported opinion bearing on a plaintiff's eligibility for an award focused on that plaintiff's failure to disclose earlier in the litigation its intent to seek nominal damages for the defendant's trademark-related transgressions.<sup>1498</sup> According to the defendant, that failure precluded the plaintiff from contesting the defendant's motion for summary judgment, which argued the plaintiff had failed to adduce any evidence or testimony of damage. Finding an absence of authority "suggesting that a party must explicitly disclose its intention to seek nominal damages,"<sup>1499</sup> the court denied the defendant's motion, holding the categorical rejection of a possible award of damages inappropriate on summary judgment.

## (2) Calculation of Actual Damages

Although doing so in the context of a motion to exclude testimony from an expert witness retained by a plaintiff, a Minnesota federal district court ratified two separate methods for calculating the actual damages suffered by the plaintiff because of the defendant's allegedly false advertising.<sup>1500</sup> The parties competed in the black pepper market, and the plaintiff objected to the reduction of the amount of pepper in the defendant's tins without a corresponding decrease in the tins' size. One component of the plaintiff's claimed actual damages were sales it lost when Walmart declined to continue selling its pepper after a trial period. With respect to those alleged lost revenues, the court held the plaintiff's expert entitled to rely on internal sales projections by both the plaintiff's own personnel and by Walmart. Although holding that "reliance on internal estimates or projections may not be reasonable where the underlying projections are suspect or the expert does not make an effort to consider their reliability,"<sup>1501</sup> the expert had, in fact, made such an effort because he had "analyzed market conditions, reviewed relevant information and documents, and interviewed employees to verify the reasonableness of the forecasts."<sup>1502</sup>

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<sup>1497</sup> *Id.* at 1297 (quoting *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 775 (1984)).

<sup>1498</sup> *See SiteLock LLC v. GoDaddy.com LLC*, 562 F. Supp. 3d 283 (D. Ariz. 2022).

<sup>1499</sup> *Id.* at 298.

<sup>1500</sup> *See Watkins Inc. v. McCormick & Co.*, 574 F. Supp. 3d 644 (D. Minn. 2021), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022).

<sup>1501</sup> *Id.* at 654 (quoting *Scoular Co. v. Ceres Glob. Ag. Corp.*, No. 14-1881 (JRT/HB), 2017 WL 3535210, at \*15 (D. Minn. Aug. 16, 2017)).

<sup>1502</sup> *Id.*

The court then turned to the expert's methodology when calculating the plaintiff's lost sales following Walmart's discontinuance of its pepper after the trial period ended. Because Walmart *did* carry a vanilla extract product manufactured by the plaintiff, the expert "used [the plaintiff's] vanilla extract as a yardstick and calculated the profits [the plaintiff] would have realized if Walmart had expanded its black pepper distribution as it had its vanilla extract."<sup>1503</sup> The court held that the expert had properly employed the yardstick method for calculating actual damages:

The yardstick method uses a comparable product, company, or industry to determine lost profits resulting from unfair competitive practices. "[T]he businesses used as a standard must be as nearly identical to the plaintiff's as possible." "[E]xact correlation is not necessary," but if the comparison product is not adequately similar, "the comparison is manifestly unreliable and cannot logically advance a material aspect of the proposing party's case."<sup>1504</sup>

The court then accepted the plaintiff's proffered three reasons why black pepper and vanilla extract were sufficiently similar to warrant use of the latter as a benchmark: (1) "both products fall into the batters and seasonings category and are purchased by the same Walmart buyer";<sup>1505</sup> (2) "both products function as staple products for consumers";<sup>1506</sup> and (3) "both products participated in equivalent Walmart tests and competed against [the defendant] as the dominant brand in the market in those tests."<sup>1507</sup> "Although the comparison between vanilla extract and black pepper is not perfect," the court concluded, "there are enough similarities to defeat [the defendant's] motion to exclude the expert testimony."<sup>1508</sup>

### ***(B) Statutory Damages***

If a defendant is found liable for counterfeiting, the prevailing plaintiff has the opportunity to elect, in lieu of an award of its actual damages or an accounting of the defendant's profits, the statutory damages provided for under Section 35(c) of the Act:<sup>1509</sup> Such an award can be "not less than \$1,000 or more than \$200,000 per

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<sup>1503</sup> *Id.*

<sup>1504</sup> *Id.* (alteration in original) (first quoting *Lehrman v. Gulf Oil Corp.*, 500 F.2d 659, 667 (5th Cir. 1974); and then quoting *Loeffel Steel Prods., Inc. v. Delta Brands, Inc.*, 387 F. Supp. 2d 794, 812 (N.D. Ill. 2005)).

<sup>1505</sup> *Id.*

<sup>1506</sup> *Id.*

<sup>1507</sup> *Id.* at 654–55.

<sup>1508</sup> *Id.* at 655.

<sup>1509</sup> 15 U.S.C. § 1117(c) (2018).

counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just” under Section 35(c)(1)<sup>1510</sup> or, alternatively, “if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just” under Section 35(C)(2).<sup>1511</sup> Likewise, under Section 35(d),<sup>1512</sup> a prevailing plaintiff in a cybersquatting action can elect to receive “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.”<sup>1513</sup>

The leading opinion to address the issue of statutory damages came from the Fifth Circuit in an appeal from a finding of liability for cybersquatting following a bench trial.<sup>1514</sup> That proceeding established that, having once been employed by the plaintiff, the individual defendant had violated a non-compete agreement by founding the corporate defendant to compete directly with the plaintiff. The defendants then doubled down on their conduct by registering a domain name closely similar to the plaintiff’s flagship service mark. The district court awarded the plaintiff the maximum \$100,000, and the Fifth Circuit affirmed. In doing so, the appellate court summarized the misconduct by the defendants justifying that outcome in the following manner:

[The parties] directly compete to provide the same type of services in San Antonio. In addition, the record confirms that the . . . Defendants violated [the Plaintiff’s] trademarks willfully and in bad faith by engaging in the following conduct: establishing [the lead Defendant] as [the Plaintiff’s] competitor while [the individual Defendant] was under his non-compete agreement with [the Plaintiff]; registering the Infringing Domain with prior knowledge of [the Plaintiff’s] trademarks; purchasing the Infringing Domain in the hopes of eventually selling it to [the Plaintiff] for a profit; and setting up the Infringing Domain to confuse and divert internet users who sought [the Plaintiff’s] services. The . . . Defendants demonstrated further willfulness during the underlying lawsuit by showing a disregard for their submission of inconsistent, misleading, and inaccurate answers to written discovery. Additionally, the . . . Defendants’ bad-faith conduct continued after trial, when they blatantly copied text from [the Plaintiff’s] copyright-

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<sup>1510</sup> *Id.* § 1117(c)(1).

<sup>1511</sup> *Id.* § 1117(c)(2).

<sup>1512</sup> *Id.* § 1117(d).

<sup>1513</sup> *Id.*

<sup>1514</sup> *See* Spectrum Ass’n Mgmt. of Tex., L.L.C. v. Lifetime HOA Mgmt. L.L.C., 5 F.4th 560 (5th Cir. 2021).

protected web pages for use on [the lead Defendant's] website. Finally, there is no record evidence that the . . . Defendants offered to transfer the Infringing Domain to [the Plaintiff].<sup>1515</sup>

Although the last of these considerations might be interpreted to favor the defendants, rather than the plaintiff, the district court had not clearly erred in its award.

Another opinion addressing a claim for statutory damages under federal law did so in the context of a motion for summary judgment seeking their entry against a group of defendants found liable as a matter of law for counterfeiting.<sup>1516</sup> The plaintiff sought an award of \$28 million, but the court identified more than one reason for not granting that request, at least as a matter of law. The first was the plaintiff's proposed count of the number of marks appropriated by the defendants: Although the plaintiff claimed fourteen different marks were in play, the court rejected that calculation because it included each appearance of the same mark on the exterior and interior packaging of the defendants' goods and because "[t]he plain language of [Section 35(c)] requires calculating relief per mark anywhere on a product or packaging, not for each component of the product."<sup>1517</sup> Nevertheless, that issue was of lesser consequence than the defendants' citation to record evidence and testimony placing the plaintiff's accusation of willfulness into dispute, including a disagreement over whether incriminating statements made by an individual from whom an investigator retained by the plaintiff had made purchases were properly attributable to the defendants and, even if so, whether the statements were actually as incriminating as the plaintiff claimed. "Certainly," the court concluded from the summary judgment record, "there is evidence that strongly suggests Defendants were willfully blind or had actual knowledge about the counterfeit nature of the goods,"<sup>1518</sup> but that evidence was not so lopsided that it mandated an award of the maximum statutory damages available.<sup>1519</sup>

Of course, some state-law causes of action also provide for awards of statutory damages, and so it was that a former funeral-home employee sought such an award under Ohio law for the unauthorized use of his name by his former employer.<sup>1520</sup> According

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<sup>1515</sup> *Id.* at 566.

<sup>1516</sup> See *JUUL Labs, Inc. v. Chou*, 557 F. Supp. 3d 1041 (C.D. Cal. 2021), *reconsideration denied*, No. CV 21-3056 DSF (PDx), 2022 WL 4596556 (C.D. Cal. Aug. 22, 2022).

<sup>1517</sup> *Id.* at 1055.

<sup>1518</sup> *Id.* at 1056.

<sup>1519</sup> *Id.* at 1057.

<sup>1520</sup> See *Sammons v. Keystone Am., Inc.*, 180 N.E.3d 42 (Ohio Ct. App. 2021), *appeal not allowed*, 181 N.E.3d 1208 (Ohio 2022).

to the plaintiff's reading of the relevant statute,<sup>1521</sup> he was entitled to a statutory damage award of \$10,000 for each of the defendant's numerous violations of the statute, a theory that would have left him eligible for "as much as \$4.5 million in statutory damages for the number of [the defendant's] individual violations."<sup>1522</sup> The trial court rejected that claim, and an intermediate appellate panel affirmed, with the latter tribunal explaining that "it could not have been the intent of a legislature to award potentially millions of dollars in damages with no correlation to the actual commercial value to the defendant or harm caused to the plaintiff simply by stacking multiple uses of the plaintiff's name for a single commercial venture."<sup>1523</sup>

## ii. Accountings of Profits

### (A) *Eligibility of Prevailing Plaintiffs for Accountings of Profits*

Although the Supreme Court's opinion in *Romag Fasteners, Inc. v. Fossil, Inc.*<sup>1524</sup> may have done away with the bright-line rule that a prevailing plaintiff demonstrate willful misconduct on the defendant's part to secure an accounting of the defendant's profits, several opinions served as reminders that that remedy did not thereby become automatic. Chief among them was one from the Third Circuit, which vacated an accounting ordered after the defendant in the case before it was found liable for infringement.<sup>1525</sup> In doing so, the appellate court invoked its long-standing test for the propriety of an accounting, holding that:

To "evaluat[e] whether equity supports disgorging the infringer's profits," we consider "(1) whether the [infringer] 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."<sup>1526</sup>

In applying that test, it faulted the district court for focusing only on the second factor. Because that exclusive focus constituted an

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<sup>1521</sup> Ohio Rev. Code § 2741.07.

<sup>1522</sup> *Sammons*, 180 N.E.3d at 46.

<sup>1523</sup> *Id.* at 47.

<sup>1524</sup> 140 S. Ct. 1492 (2020).

<sup>1525</sup> See *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209 (3d Cir. 2021).

<sup>1526</sup> *Id.* at 223 (alterations in original) (quoting *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005)).



abuse of discretion, the issue was remanded for the district court to revisit it.<sup>1527</sup>

A vacatur and remand also was the outcome in an appeal to the Ninth Circuit with a convoluted procedural history.<sup>1528</sup> Prior to *Romag Fasteners*, the district court had invited a jury to consider the prevailing plaintiffs' request for an accounting, instructing it that willfulness was a prerequisite for that remedy; following the jury's determination that the plaintiffs had failed to demonstrate willful misconduct by the defendants, the district court indicated its agreement with the jury's determination, holding that "Plaintiffs have failed to prove that Defendants' false advertising was *willful* . . . ."<sup>1529</sup> Seeking an affirmance, the defendants cited to the district court's additional statement that it would "reach the same result" as the jury on the issue of disgorgement even if it "were to take its own view of the evidence,"<sup>1530</sup> but the court of appeals was unconvinced, holding that the district court's reference to willfulness warranted a new trial.

Short-term procedural stalemates also arose in reported opinions from trial courts. For example, one defendant accused of infringement moved for summary judgment on the theory that the absence of evidence or testimony of its bad faith or even willful blindness precluded an accounting of its profits.<sup>1531</sup> The plaintiff predictably—and successfully—invoked *Romag Fasteners*, leading the court to deny the defendant's motion because "while a defendant's mental state must be considered, [the defendant] fails to address the wealth of additional factors that a court may consider when evaluating whether to award an infringer's profits."<sup>1532</sup> What, then, were those additional factors? Without controlling Ninth Circuit authority, the Nevada federal district court hearing the case cited approvingly to the nonexclusive roster applied on remand in *Romag Fasteners*, namely: "(1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) any delay by the plaintiff; and (5) plaintiff's clean (or unclean) hands."<sup>1533</sup>

A different opinion to address the eligibility of prevailing plaintiffs for accountings did so in the context of a motion to exclude

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<sup>1527</sup> *Id.*

<sup>1528</sup> See *Harbor Breeze Corp. v. Newport Landing Sportfishing, Inc.*, 28 F.4th 35 (9th Cir. 2022).

<sup>1529</sup> *Id.* at 39.

<sup>1530</sup> *Id.*

<sup>1531</sup> See *Sunlighten, Inc. v. Finnmark Designs, LLC*, 595 F. Supp. 3d 957 (D. Nev. 2022).

<sup>1532</sup> *Id.* at 972.

<sup>1533</sup> *Id.* at 972 n.94 (quoting *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 3:10CV1827 (JBA), 2021 WL 1700695, at \*2 (D. Conn. Apr. 29, 2021)).

the report of a monetary relief expert.<sup>1534</sup> According to the defendant's motion to exclude the report, the Supreme Court's 2014 opinion in *Lexmark International, Inc. v. Static Control Components*<sup>1535</sup> meant that "any form of relief under the Lanham Act must be tied to harm suffered by the plaintiff."<sup>1536</sup> The court disagreed:

Disgorgement imposes a lower burden than money damages and injunctive relief because it serves a different purpose. Disgorgement, an equitable remedy, targets the wrongdoer and seeks to deter improper conduct and prevent unjust enrichment. To achieve these purposes, any plaintiff with standing may seek to eliminate defendant's ill-gotten gains by pursuing disgorgement of its profits.<sup>1537</sup>

Because the plaintiff had standing to bring its false advertising action, it was potentially entitled to an accounting.

Finally, a New York federal district court addressed the eligibility of a plaintiff for an accounting of profits in the context of a past settlement agreement between that plaintiff and the predecessor of a defendant accused of infringement and unfair competition.<sup>1538</sup> That agreement extended a license to the predecessor (which was assumed by the defendant) to manufacture a foil pouch used to package juice products and provided for royalty payments to the plaintiff. The agreement also recited that:

Except in connection with its indemnification obligations, in no event shall any Party . . . be liable to the other Party . . . for any consequential, indirect, punitive, incidental or special damages, including lost profits . . . arising from any cause of action whatsoever, including those based upon contract, warranty, strict liability or negligence, related to this agreement or any breach hereof.<sup>1539</sup>

When the defendant terminated the license and began manufacturing an allegedly confusingly similar pouch, the plaintiff filed suit seeking, inter alia, an accounting of the defendants' profits. The defendant, however, successfully invited the court to dismiss that request in a motion for summary judgment grounded in the language from the earlier agreement quoted immediately above. According to the defendant, although the plaintiff could

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<sup>1534</sup> See *Watkins Inc. v. McCormick & Co.*, 574 F. Supp. 3d 644 (D. Minn. 2021), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022).

<sup>1535</sup> 572 U.S. 118 (2014).

<sup>1536</sup> *Watkins*, 574 F. Supp. 3d at 656.

<sup>1537</sup> *Id.* (citation omitted).

<sup>1538</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>1539</sup> *Id.* at 192 (second, third, and fourth alterations in original).

pursue actual damages in the form of lost royalty payments, the disgorgement of its profits would represent “indirect” damages “arising from” the plaintiff’s infringement claims within the meaning of that language. Applying New York contract law, the court held that direct damages were “typically expectation damages, measured by what it would take to put the non-breaching party in the same position that it would be in had the breaching party performed as promised under the contract.”<sup>1540</sup> In contrast, “[t]he profits of the breaching party, . . . ‘may be recovered as direct damages only when they represent amounts a breaching party agreed to pay under the contract at issue.’”<sup>1541</sup> Turning to the provisions of the agreement bearing on the payment of royalties to the plaintiff, the court then held that:

While the [agreement] was in effect, [the plaintiff’s] contractual compensation consisted of annual royalty payments from [the defendant] of the greater of \$650,000 or \$0.00225 per Licensed Pouch. Any profits of [the defendant] in excess of those royalty payments belonged to [the defendant]. To the extent that [the defendant] breached by selling pouches as to which [the plaintiff] held the trademark, [the defendant’s] breach did not deprive [the plaintiff] of damages other than those royalty payments. Therefore, were [the defendant] found in breach, a damage award to [the plaintiff] of [the defendant’s] profits would go beyond putting [the plaintiff] “in the same position that it would be in had [the defendant] performed as promised under the contract,” *i.e.*, expectation damages. Such an award would therefore qualify as indirect damages. It is unavailable . . . .<sup>1542</sup>

### ***(B) The Accounting Process***

Which party is responsible in the accounting process for apportioning a defendant’s revenues between lawful and unlawful sources is a subject of frequent litigation. Consistent with the express text of Section 35(a), one court held that:

For money damages, “a plaintiff must prove both actual damages and a causal link between defendant’s violation and those damages.” For injunctive relief, a plaintiff need not show specific damages but “must prove injury, or likelihood of injury, and a causal link between that injury and the

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<sup>1540</sup> *Id.* at 194 (citations omitted) (quoting *Edelman Arts, Inc. v. Spoelstra*, No. 17-CV 4789 (JGK)-(SN), 2021 WL 2207361, at \*3 (S.D.N.Y. Jan. 11, 2021), *report and recommendation adopted as modified*, No. 17-CV 4789 (JGK)-(SN), 2021 WL 2207351 (S.D.N.Y. Mar. 7, 2021)).

<sup>1541</sup> *Id.* (quoting *In re Lehman Bros. Holdings Inc.*, 544 B.R. 62, 73 (Bankr. S.D.N.Y. 2015)).

<sup>1542</sup> *Id.* at 195 (quoting *Edelman Arts*, 2021 WL 2207361, at \*3).

defendant's conduct." For disgorgement of profits, a plaintiff need only show the defendant's "sales of the allegedly falsely advertised products," after which the burden shifts to the defendant to prove "any costs or deductions."<sup>1543</sup>

It therefore denied a motion to exclude a report proffered by a monetary relief expert who had not sought to demonstrate a causal relationship between the defendant's alleged false advertising and any damage suffered by the plaintiff. The court then denied the defendant's motion for summary judgment on the issue, holding that "a plaintiff that can show it was injured, in some form, by the defendant's conduct may recover the defendant's profits."<sup>1544</sup> "To do so," it elaborated, "a plaintiff need only prove [a] defendant's sales of the falsely advertised product. The Lanham Act then permits a defendant to deduct profits that it can prove were not earned due to its violative conduct."<sup>1545</sup>

The Sixth Circuit took a somewhat consistent approach to the subject.<sup>1546</sup> Addressing the parties' respective burdens, it also required a nexus between the sales proffered by the plaintiff and the defendant's infringement. In particular, it held, "a plaintiff likely cannot place an infringer's 'corporate income tax return in the record and rest [its] case for an award of infringer's profits.' Instead, a plaintiff likely must show some connection between the identified 'sales' and the alleged infringement."<sup>1547</sup> Ultimately, however, the court held that a jury's accounting of \$250,000 was supported by a combination of the defendant's concession that it had made \$188,787 in profits on sales of goods bearing the plaintiff's mark and a showing at trial by the plaintiff that "poked holes" in the defendant's case in a way suggesting that the defendant had "inflated" its claimed deductions.<sup>1548</sup>

### iii. Adjustments of Awards of Actual Damages and Accountings of Profits

Section 35(a) of the Act provides that "[i]n assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not

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<sup>1543</sup> *Watkins Inc. v. McCormick & Co.*, 574 F. Supp. 3d 644, 656 (D. Minn. 2021) (first quoting *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 815 (D. Minn. 2011); then quoting *id.*; and then quoting *id.* at 819), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022)).

<sup>1544</sup> *Id.* at 659.

<sup>1545</sup> *Id.*

<sup>1546</sup> *See Max Rack, Inc. v. Core Health & Fitness, LLC*, 40 F.4th 454 (6th Cir. 2022), *reh'g denied*, No. 20-3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022).

<sup>1547</sup> *Id.* at 472 (alteration in original) (quoting *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983)).

<sup>1548</sup> *Id.* at 473.

exceeding three times such amount”;<sup>1549</sup> likewise, it also provides that “[i]f 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 judgement for such sum as the court shall find to be just, according to the circumstances of the case.”<sup>1550</sup> Nevertheless, both clauses are subject to qualifying language that adjustments under either must be made for the purpose of compensation and not as a penalty.<sup>1551</sup>

Although prevailing plaintiffs frequently invoke these portions of Section 35(a), they rarely do so successfully. As the counterclaim plaintiff in an appeal to the Third Circuit discovered, that was true even when they can demonstrate willful misconduct by their opponents.<sup>1552</sup> Although vacating an accounting of the counterclaim defendant’s profits ordered by the district court, the Third Circuit also took aim at the counterclaim plaintiff’s complaint that the district court had erred in failing to treble the accounting while it lasted. The court observed that “in most cases, when disgorging profits, ‘the district court should award actual, proven profits unless the . . . infringer gained more from the infringement than the [infringer’s] profits reflect.’”<sup>1553</sup> The counterclaim plaintiff’s showing fell short under an application of that standard:

[The counterclaim plaintiff] presents no arguments why an enhanced award, let alone an award equal to three times [the counterclaim defendant’s] profits, is needed to fully compensate it or that such an award more accurately reflects [the counterclaim defendant’s] true profits. Put another way, [the counterclaim plaintiff] offers no non-punitive rationale for enhancing the award.<sup>1554</sup>

Thus, although the counterclaim plaintiff retained the ability on remand to justify an accounting in the first instance, the door to an augmentation of that remedy was closed.

The Sixth Circuit reached a near-identical conclusion in an appeal brought before it.<sup>1555</sup> Following a jury’s finding that a prevailing plaintiff deserved an accounting of the defendant’s profits in the amount of \$250,000, the district court invoked Section 35(a) and doubled that figure. On appeal, the court noted of the relevant statutory language that:

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<sup>1549</sup> 15 U.S.C. § 1117(a) (2018).

<sup>1550</sup> *Id.*

<sup>1551</sup> *Id.*

<sup>1552</sup> *See* Kars 4 Kids Inc. v. Am. Can!, 8 F.4th 209 (3d Cir. 2021).

<sup>1553</sup> *Id.* at 224 (alterations in original) (quoting Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc., 778 F.3d 1059, 1077 (9th Cir. 2015)).

<sup>1554</sup> *Id.*

<sup>1555</sup> *See* Max Rack, Inc. v. Core Health & Fitness, LLC, 40 F.4th 454 (6th Cir. 2022), *reh’g denied*, No. 20-3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022).

On the one hand, the court may increase a profits award for a compensatory reason, such as a concern that the award does not encompass the defendant's full profits. Perhaps the defendant received intangible benefits as a result of its infringing conduct. Or perhaps the defendant engaged in discovery "stonewalling" that prevented the plaintiff from identifying its total infringing sales.

On the other hand, the court may not increase a jury's profits award for a punitive reason. The record might show such an improper purpose, for example, if the court highlighted the defendant's bad faith as the basis for the increase. Or such an improper purpose might exist if the court increased the profits to penalize the defendant for discovery violations, something that other laws and court rules are better equipped to handle.<sup>1556</sup>

Although acknowledging the district court's disclaimer of any intent to penalize the defendant through the augmentation of the jury's accounting, the court of appeals expressed skepticism that the defendant's failure to produce evidence of its claimed deductions justified doubling the ultimate award. In doing so, it noted that the plaintiff had successfully discerned the defendant's sales from the defendant's production and that the district court had sanctioned the defendant for its stonewalling regarding permissible deductions by prohibiting it from introducing certain evidence of those deductions at trial. "So," the court concluded, "the district court abused its discretion by granting enhanced profits when its first sanction sufficed to remedy [the defendant's] discovery shortcomings."<sup>1557</sup>

#### iv. Attorneys' Fees

Numerous mechanisms allow trial courts the discretion to award attorneys' fees to prevailing parties in trademark and unfair competition litigation. Those parties in some jurisdictions can secure awards of fees under state law; as always, however, most cases awarding fees over the past year did so under federal law, which recognizes several bases for fee petitions. For example, and of perhaps greatest familiarity to trademark practitioners, Section 35(a) authorizes the imposition of fees upon the losing party in "exceptional cases,"<sup>1558</sup> while Section 35(b) makes such an award virtually mandatory in cases in which a defendant has trafficked in goods or services associated with counterfeit marks.<sup>1559</sup> The Federal

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<sup>1556</sup> *Id.* at 473 (citations omitted).

<sup>1557</sup> *Id.* at 475.

<sup>1558</sup> 15 U.S.C. § 1117(a) (2018).

<sup>1559</sup> *Id.* § 1117(b).

Rules of Appellate Procedure authorize awards of fees to reimburse the expenses of frivolous appeals,<sup>1560</sup> and federal district courts also may award fees if a litigant has “unreasonably and vexatiously” multiplied the proceedings in a case.<sup>1561</sup> Federal courts likewise have the inherent power to award fees if bad-faith litigation practices by the parties or other considerations justify them and also may impose awards of fees as sanctions for contempt, under Rules 11 and 41(d) of the Federal Rules of Civil Procedure,<sup>1562</sup> or, in the case of discovery violations, under Rule 37.<sup>1563</sup>

***(A) Eligibility of Prevailing Parties for  
Awards of Attorneys’ Fees***

**(1) Determinations of the Prevailing Party**

A threshold issue in the inquiry into whether a party seeking a fee award is whether that party actually prevailed in the underlying litigation. One defendant in a case presenting that issue responded to the issuance of a temporary restraining order against it by moving for the order’s vacatur, in response to which the plaintiff voluntarily dismissed its claims against the defendant.<sup>1564</sup> Addressing the defendant’s subsequent fee petition, the court noted that neither party had briefed the issue of whether the defendant qualified as a prevailing party. Nevertheless, and even without guidance from the parties, it answered that question in the affirmative. That outcome rested on the court’s post-dismissal invitation to the defendant to seek recovery against the bond the court had required the plaintiff to post as a condition of the TRO’s entry.<sup>1565</sup>

A different court similarly had little difficulty finding a plaintiff that had successfully prosecuted a motion for summary judgment of noninfringement the prevailing party for purposes of a requested fee award.<sup>1566</sup> The defendants ineffectually argued that the issue was unresolved because the plaintiff had not sought summary judgment on the quantum of damages to which it was entitled, but the court rejected that contention by referring to “the Eighth Circuit’s three principles in determining whether there is a prevailing party,”<sup>1567</sup> namely:

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<sup>1560</sup> Fed. R. App. P. 38.

<sup>1561</sup> 28 U.S.C. § 1927 (2018).

<sup>1562</sup> Fed. R. Civ. P. 11 & 41(d).

<sup>1563</sup> Fed. R. Civ. P. 37.

<sup>1564</sup> *See Smart Study Co. v. B+Baby Store*, 540 F. Supp. 3d 428 (S.D.N.Y. 2021).

<sup>1565</sup> *Id.* at 432.

<sup>1566</sup> *See, e.g., Moon Seed LLC v. Weidner*, 604 F. Supp. 3d 780 (S.D. Iowa 2022), *appeal dismissed*, No. 22-2228, 2022 WL 17491649 (8th Cir. Jul. 14, 2022).

<sup>1567</sup> *Id.* at 797.

First, in order to be a prevailing party, a claimant must show that there has been a court-ordered change in the legal relationship between the plaintiff and the defendant.

Second, a prevailing party is a party in whose favor a judgment is rendered, regardless of the amount of damages awarded.

Third, a claimant is not a prevailing party merely by virtue of having acquired a judicial pronouncement unaccompanied by judicial relief.<sup>1568</sup>

Although the question of the plaintiff's damages remained unresolved, the plaintiff still had secured a finding of liability and the entry of a permanent injunction, which qualified it as the prevailing party.<sup>1569</sup>

## (2) Fee Requests by Prevailing Plaintiffs

In *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*,<sup>1570</sup> the Supreme Court adopted a flexible approach to the “exceptional case” standard for fee awards under Section 285 of the Patent Act.<sup>1571</sup> Under that standard, a case can be “exceptional” if the court determines, under the totality of the circumstances, that it “stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”<sup>1572</sup> Moreover, the *Octane Fitness* Court also confirmed that a prevailing party need only demonstrate the existence of an exceptional case by a preponderance of the evidence and testimony, rather than by clear and convincing evidence.<sup>1573</sup> *Octane Fitness* has played an increasingly significant role in interpretations of Section 35(a) of the Act which, like Section 285, codifies an “exceptional case” standard.

Nevertheless, the Fifth Circuit bucked that trend somewhat in an appeal by a plaintiff that had demonstrated its opponents’ liability for cybersquatting following a bench trial, only to fail to recoup its fees.<sup>1574</sup> Although paying lip service to the increasingly prevalent *Octane Fitness* test, the court did so as something of an afterthought only after invoking its pre-*Octane Fitness* authority. Under that authority, “[t]o make an ‘exceptional case’ showing, the

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<sup>1568</sup> *Id.* (quoting *Doe v. Nixon*, 716 F.3d 1041, 1048 (8th Cir. 2013)).

<sup>1569</sup> *Id.* at 797–98.

<sup>1570</sup> 572 U.S. 545 (2014).

<sup>1571</sup> 35 U.S.C. § 285 (2018).

<sup>1572</sup> *Octane Fitness*, 572 U.S. at 554.

<sup>1573</sup> *Id.* at 557.

<sup>1574</sup> See *Spectrum Ass’n Mgmt. of Tex., L.L.C. v. Lifetime HOA Mgmt. L.L.C.*, 5 F.4th 560 (5th Cir. 2021).



prevailing party bears the burden of demonstrating . . . that the defendant ‘maliciously, fraudulently, deliberately, or willfully infringes the plaintiff’s mark’;<sup>1575</sup> what’s more, “[t]he prevailing party must further demonstrate ‘a high degree of culpability on the part of the infringer,’ such as bad faith.”<sup>1576</sup> Finally, the court held that prevailing parties must demonstrate their entitlement to fee awards by clear and convincing evidence.<sup>1577</sup>

Ultimately, however, these departures from the Supreme Court’s guidance did not affect the outcome of the plaintiff’s appeal, which was that the district court had abused its discretion by failing to find the plaintiff entitled to reimbursement of its fees. With respect to the merits of the plaintiff’s claim, the appellate court noted that the lead defendant had been founded by a former employee of the plaintiff (also a named defendant) while he was subject to a non-compete agreement and that both defendants had violated the plaintiff’s trademark rights in bad faith by registering the unlawful domain name with the intent of selling it to the plaintiff—but diverting customers from the plaintiff to themselves in the meantime. That was not all, however, for the court also determined that “[t]he . . . Defendants demonstrated further willfulness during the underlying lawsuit by showing a disregard for their submission of inconsistent, misleading, and inaccurate answers to written discovery” and that “the . . . Defendants’ bad-faith conduct continued after trial, when they blatantly copied text from [the Plaintiff’s] copyright-protected web pages for use on [the lead Defendant’s] website.”<sup>1578</sup> The district court’s denial of fees to the prevailing plaintiff therefore had been an abuse of discretion.<sup>1579</sup>

Despite the pervasive adoption of *Octane Fitness* in other jurisdictions, the Eighth Circuit has yet to take that step. Nevertheless, an Iowa federal district court applied the standard en route to ordering a pair of defendants to reimburse the fees of their opponent.<sup>1580</sup> It did so on the parties’ cross-motions for summary judgment, which established that the plaintiff, the owner of the MOON SEED mark for the retail sale of seeds, had employed the individual defendant before that defendant formed his own competing business (also named as a defendant) under the MOOD SEED SERVICE mark before going into direct competition with the plaintiff. That was not the limit of the defendants’ misconduct,

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<sup>1575</sup> *Id.* at 566–67 (quoting *Procter & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 527 (5th Cir. 2002)).

<sup>1576</sup> *Id.* at 567 (quoting *Tex. Pig Stands, Inc. v. Hard Rock Cafe Int’l, Inc.*, 951 F.2d 684, 697 (5th Cir. 1992)).

<sup>1577</sup> *Id.*

<sup>1578</sup> *Id.* at 566.

<sup>1579</sup> *Id.* at 567.

<sup>1580</sup> See *Moon Seed LLC v. Weidner*, 604 F. Supp. 3d 780 (S.D. Iowa 2022), *appeal dismissed*, No. 22-2228, 2022 WL 17491649 (8th Cir. Jul. 14, 2022).

however, for they also negotiated a lease of a warehouse used by the plaintiff before the plaintiff's lease expired and then left the plaintiff's signage at the warehouse in place after taking over the building; moreover, the lead defendant also informed the parties' shared customers that he had separated from the plaintiff's principal but not that he had separated from the plaintiff itself. On that record, the court found as a matter of law that "Defendants' conduct can be construed as efforts to provide an appearance of continuity with Plaintiff. Such conduct warrants finding this is an exceptional case, entitling Plaintiff to an award of attorney's fees."<sup>1581</sup>

A challenge to a fee award made by an arbitration panel also failed, in no small part because of the strict standard of review imposed by Section 10 of the Federal Arbitration Act,<sup>1582</sup> which "is among the narrowest known at law because to allow full scrutiny of such awards would frustrate the purpose of having arbitration at all—the quick resolution of disputes and the avoidance of the expense and delay associated with litigation."<sup>1583</sup> Dissatisfied with the panel's order that they reimburse the fees associated with the plaintiff's successful prosecution of a false advertising action against them, a group of defendants argued to a federal district court that the award constituted a manifest disregard for the law. Although not describing the precise nature of the defendants' misconduct, the court noted the panel had identified numerous bases for its determination that the defendants' advertising qualified the dispute as an exceptional case. Those included that the advertising had gone "well beyond simply overstating an attribute or making a false statement about a competing product," and had caused marketplace confusion, interfered with negotiations between the plaintiff and potential investors, and produced a loss of confidence in the plaintiff.<sup>1584</sup> The defendants therefore failed to carry their heavy burden in challenging the award.

In contrast, the Sixth Circuit reversed a different award of fees to a prevailing plaintiff as an abuse of discretion.<sup>1585</sup> It did so in a case in which the defendant was a holdover licensee of a mark applied to exercise machines. The evidence established to a jury's satisfaction that, following the license's termination, the defendant had continued to manufacture and sell machines bearing the plaintiff's mark; even when it had discontinued that practice in

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<sup>1581</sup> *Id.* at 797.

<sup>1582</sup> 9 U.S.C. § 10(a) (2018).

<sup>1583</sup> *SmartSky Networks, LLC v. Wireless Sys. Sols., LLC*, 584 F. Supp. 3d 36, 45 (M.D.N.C. 2022) (quoting *Apex Plumbing Supply, Inc. v. U.S. Supply Co.*, 142 F.3d 188, 193 (4th Cir. 1998)), *appeal docketed*, No. 22-1253 (4th Cir. March 10, 2022).

<sup>1584</sup> *Id.* at 49.

<sup>1585</sup> *See Max Rack, Inc. v. Core Health & Fitness, LLC*, 40 F.4th 454 (6th Cir. 2022), *reh'g denied*, No. 20-3598, 2022 WL 3237492 (6th Cir. Aug. 10, 2022).

favor of selling machines from a different source and under a distinguishable mark, it failed to scrub its website of references to the plaintiff's mark until the case was well into discovery. Moreover, the defendant also failed to produce certain evidence of possible permissible deductions from its sales, leading the district court to preclude it from introducing that evidence in response to the plaintiff's request for an accounting of the defendant's profits.

Despite that track record of dubious conduct, the court of appeals held the case not an exceptional one under the *Octane Fitness* standard. For one thing, it noted, the plaintiff's primary theory of liability—that the defendant had manufactured and sold goods bearing the plaintiff's mark following the end of the license—“was supported only by circumstantial evidence falling close to the hazy border dividing what a jury can (and cannot) reasonably find.”<sup>1586</sup> For another, the defendant had presented the plaintiff with payment of any royalties due on those sales prior to trial. Moreover, the plaintiff had failed to demonstrate any damage arising from the defendant's stray references to the plaintiff's mark after the defendant transitioned to a new one. Finally, although the defendant perhaps had failed to comply with its discovery obligations, that failure affected only itself. Because the case was noteworthy for neither the weakness of the defendant's substantive litigation position nor its litigation-related misconduct, the district court's fee award constituted reversible error.<sup>1587</sup>

### (3) Fees Requests by Prevailing Defendants

For whatever reason, fees requests by prevailing defendants both before and after *Octane Fitness* have less of a track record of success than do similar requests by prevailing plaintiffs. The most recent example of that phenomenon came in a case in which, although successfully convincing the court to impose a temporary restraining order, the plaintiff quickly dismissed its claims against the restrained defendant.<sup>1588</sup> Despite that retreat, the court denied the defendant's request for reimbursement of its fees under Section 35(a). It articulated three reasons for doing so, the first of which was “plaintiff's litigation conduct weighs against a finding that the case is exceptional; although plaintiff sought an injunction against [defendant] that the Court found improper, plaintiff voluntarily withdrew the action before such a finding—indeed, within one day of [defendant] moving to vacate the TRO.”<sup>1589</sup> The second was that the defendant could be made whole from the bond required by the

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<sup>1586</sup> *Id.* at 478.

<sup>1587</sup> *Id.* at 479.

<sup>1588</sup> *See Smart Study Co. v. B+Baby Store*, 540 F. Supp. 3d 428 (S.D.N.Y. 2021).

<sup>1589</sup> *Id.* at 432.

court in support of the TRO, “largely compensating it for its losses and deterring plaintiff from filing insufficiently researched complaints in future cases.”<sup>1590</sup> The third was that the defendant had unreasonably delayed filing its fee petition for twenty-four weeks following the dismissal of the action, of which the court concluded that “there was no valid reason for [plaintiff] not to include its request for attorney’s fees under the Lanham Act together with its request to recover against the security bond.”<sup>1591</sup>

Nevertheless, one prevailing defendant secured a partial award of its fees under *Octane Fitness* after defeating allegations that it had infringed the trade dress of a product styled as a “portable pocket.”<sup>1592</sup> Addressing the second *Octane Fitness* factor first, the court found a fee award justified by the plaintiff’s litigation-related misconduct. That misconduct consisted primarily of an ever-evolving definition of the plaintiff’s claimed trade dress, which the court appeared to view as particularly egregious because of the plaintiff’s failure to include such a definition in its demand letters to the defendant.<sup>1593</sup> It also included an apparently meritless motion to stay the proceedings.<sup>1594</sup>

Moving on to the first *Octane Fitness* factor, the court found that the plaintiff’s litigation position objectively unreasonable on multiple levels.<sup>1595</sup> To begin with, and to reiterate, the plaintiff had repeatedly redefined its claimed trade dress, leading the court to observe that “[i]t is objectively unreasonable to expect a factfinder to decide whether a trade dress is distinctive and nonfunctional, and thus deserving of protection, if the asserting party cannot settle on the elements of the appearance that make up the product’s signature look.”<sup>1596</sup> Moreover, every element of the plaintiff’s varying definitions was included in a third-party design that had been on the market years before the plaintiff’s claimed date of first use.<sup>1597</sup> Finally, “the record directly contradicted plaintiff’s assertion that its trade dress should be presumed distinctive due to its continuous use since 2008”; instead, the plaintiff had actually introduced its product only in 2009.<sup>1598</sup> The defendant therefore was entitled to reimbursement of its fees.

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<sup>1590</sup> *Id.* at 433.

<sup>1591</sup> *Id.*

<sup>1592</sup> *Pocket Plus, L.L.C. v. Runner’s High, LLC*, 579 F. Supp. 3d 1082 (N.D. Iowa), *aff’d sub nom.* *Pocket Plus, LLC v. Pike Brands, LLC*, 53 F.4th 425 (8th Cir. 2022).

<sup>1593</sup> *Id.* at 1088–89.

<sup>1594</sup> *Id.* at 1089.

<sup>1595</sup> This was true even though the plaintiff’s legal theories were not contrary to governing law. *See id.* at 1090–92.

<sup>1596</sup> *Id.* at 1090.

<sup>1597</sup> *Id.*

<sup>1598</sup> *Id.*

### **(B) Calculation of Attorneys' Fees**

The “lodestar” method of calculating fees entails as a threshold calculation the multiplication of a reasonable hourly rate by a reasonable number of hours invested by counsel for the prevailing party. In employing the first step of the lodestar methodology, an Iowa federal district court held that “[r]easonable hourly rates are calculated according to the rate of similar services by lawyers of reasonably comparable skill, experience, and reputation in the relevant community.”<sup>1599</sup> Although counsel for the prevailing defendant sought to rely on the American Intellectual Property Law Association’s annual economic survey when establishing the reasonableness of their rates, the court declined to allow them to do so. According to the court, the survey was evidence only of rates nationally, rather than those in the Des Moines, Iowa, area. The court therefore reduced the requested hourly rates of \$425, \$400, and \$480 to a uniform rate of \$350 per hour.<sup>1600</sup>

The court then turned its attention to the quantum of the hours billed by the defendant’s counsel. For the most part, it found their time entries unobjectionable, but it did react negatively to the defendant’s bid to recover the fees associated with its counsel’s attendance at a summary judgment hearing because the documentation supporting that request indicated that “the attendance was made at ‘no charge.’”<sup>1601</sup> Having struck those time entries, the court did the same with respect those entries related to “researching and drafting [a] letter threatening Rule 11 sanctions,” which were never pursued; as the court explained, it would “eliminate these hours because defendant appears to have made this Rule 11 threat only to harass the plaintiff.”<sup>1602</sup>

One perennial issue in the calculation of fee awards—that of the apportionment of fee awards—made an appearance in an action to vacate a fee award made by an arbitration panel.<sup>1603</sup> Certain of the defendants, all of whom the panel had found liable for false advertising, were exonerated under a separate claim for misappropriation. On that basis, they challenged the panel’s decision to hold them jointly and severally liable for the plaintiff’s fees and costs along with the other defendants, which consisted of a litigation-related award of \$1,963,676.59 and a separate arbitration-related award of \$525,215.45. Applying the strict standard of review applicable to arbitration awards—manifest

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<sup>1599</sup> *Pocket Plus, L.L.C. v. Runner’s High, LLC*, 579 F. Supp. 3d 1082 (N.D. Iowa), *aff’d sub nom.* *Pocket Plus, LLC v. Pike Brands, LLC*, 53 F.4th 425 (8th Cir. 2022).

<sup>1600</sup> *Id.* at 1094.

<sup>1601</sup> *Id.* at 1095.

<sup>1602</sup> *Id.*

<sup>1603</sup> *See SmartSky Networks, LLC v. Wireless Sys. Sols., LLC*, 584 F. Supp. 3d 36 (M.D.N.C. 2022), *appeal docketed*, No. 22-1253 (4th Cir. March 10, 2022).

disregard for the law, corruption, or partiality—the court declined to disturb either award.<sup>1604</sup>

### v. Prejudgment Interest

On its face, Section 35(b) of the Lanham Act expressly authorizes prejudgment interest only in cases in which a defendant has willfully engaged in counterfeiting,<sup>1605</sup> and Section 35(a) is silent on the issue. Unable to avail itself of Section 35(b) in a standard infringement action, one prevailing counterclaim plaintiff ambitiously sought an award of prejudgment interest under Section 35(a) instead.<sup>1606</sup> The district court rejected the counterclaim plaintiff's invocation of Section 35(a), and the Third Circuit followed suit. The later tribunal explained that:

“[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” Applying this principle, because [Section 35(b)] allows courts to award prejudgment interest and [Section 35(a)] does not provide for prejudgment interest, prejudgment interest is unavailable under [Section 35(a)]. Thus, the District Court correctly denied prejudgment interest on [the counterclaim plaintiff's] federal trademark infringement claims.<sup>1607</sup>

The court then held the counterclaim plaintiff not entitled to prejudgment interest under New Jersey law as well, citing the absence of any state-law cause of action under which the counterclaim plaintiff had prevailed.<sup>1608</sup>

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<sup>1604</sup> *Id.* at 56.

<sup>1605</sup> See 15 U.S.C. § 1117(b) (“In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under [26 U.S.C. § 6621(a)(2)], beginning on the date of the service of the claimant’s pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.”).

<sup>1606</sup> See *Kars 4 Kids Inc. v. Am. Can!*, 8 F.4th 209 (3d Cir. 2021).

<sup>1607</sup> *Id.* at 225 (alteration in original) (footnote omitted) (quoting *Russello v. United States*, 464 U.S. 16, 23, (1983)).

<sup>1608</sup> *Id.* at 225–26.

***B. The Relationship Between Courts and  
the United States Patent and Trademark Office***

**1. Judicial Review of, and Deference to,  
United States Patent and  
Trademark Office Determinations**

Under the Supreme Court's decision in *Skidmore v. Swift & Co.*,<sup>1609</sup> federal courts may give varying degrees of deference to an agency's interpretation of a statute the agency administers, even if that interpretation does not carry the force of law; the degree of that deference depends on "the thoroughness evident in [the agency's] consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control."<sup>1610</sup> A rare example of *Skidmore* deference to an action by the USPTO came in a district court appeal from a Trademark Trial and Appeal Board finding that the claimed "gruyere" certification mark for cheese was generic.<sup>1611</sup> In affirming that finding, the court cited favorably to the USPTO's practice of treating cheese names included in "statements of identity" issued by the Food and Drug Administration as evidence that the names "cannot be single-source indicators," meaning that "inclusion on such lists is strong evidence that the otherwise geosignificant wording is generic for the goods."<sup>1612</sup> Although the examination guide establishing that practice did not carry the force of law, its conclusion that "cheese terms given standards of identity have become so commonplace that they have essentially become generic" merited *Skidmore* deference.<sup>1613</sup>

Outside of scenarios not supporting successful invocations of *Skidmore*, litigants most commonly invite courts to defer to actions by the USPTO in three scenarios. The first occurs if the Trademark Trial and Appeal Board previously has produced findings and holdings bearing on one or more marks at issue. A court also may have an opportunity to defer to the USPTO if the parties are engaged in ongoing litigation before the Board, and one moves the court to stay its proceedings in favor of allowing the Board to take the first bite at the apple. Finally, litigants often encourage courts to defer to actions taken by examining attorneys in processing applications filed by one of the parties, or, less commonly, by a third party.

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<sup>1609</sup> 323 U.S. 134 (1944).

<sup>1610</sup> *Id.* at 140.

<sup>1611</sup> See *Interprofession Du Gruyere v. U.S. Dairy Exp. Council*, 575 F. Supp. 3d 627 (E.D. Va. 2021), *appeal docketed*, No. 22-1041 (4th Cir. Jan. 11, 2022).

<sup>1612</sup> *Id.* at 640 (quoting U.S. Patent and Trademark Office, *USPTO Exam Guide* 2-20, at 12–13 (May 2020)).

<sup>1613</sup> *Id.*

Unusually, reported opinions addressed only the third of these scenarios over the past year.<sup>1614</sup> One doing so arose in a case in which USPTO examining attorneys had rejected various applications to register marks incorporating the words “Rise ‘N Shine” based on the plaintiffs’ prior registrations of the RISE ‘N SHINE mark for various perfumes, lotions, oils, shampoos, and conditioners. One of those failed applications was to register the RISE ‘N SHINE ONLINE mark and had been filed by a third-party seller on Amazon of RISE ‘N SHINE-branded cocoa butter, shea butter, argon oil, and African black soap. Not surprisingly, the plaintiff sought to bootstrap the USPTO’s earlier determinations of likely confusion involving its registered mark into a finding of likely confusion as a matter of law between its mark and that of the third-party seller, but its motion for summary judgment of liability fell short. As the court explained, “Plaintiffs cite no authority for the proposition that these findings are dispositive or binding on this Court. Indeed, courts have concluded that ‘the initial rejections by the USPTO’s trademark examining attorneys are not evidence of a likelihood of confusion.’”<sup>1615</sup>

In an additional example of a case presenting the third scenario, a counterclaim defendant had successfully registered its mark on the Principal Register before ill-advisedly filing suit against an opponent with prior use of a confusingly similar mark, which not surprisingly asserted its own allegations of infringement and unfair competition.<sup>1616</sup> Unlike the counterclaim defendant, the counterclaim plaintiff had not registered its mark, but that was no obstacle to establishing the mark’s validity. Instead, treating the parties’ marks as the same “Mark,”<sup>1617</sup> the court reached the following conclusion regarding the USPTO’s processing of the application from which the counterclaim defendant’s registration had matured:

Although not obliged to do so, the Court agrees with the Trademark Examiner’s conclusions. The Patent and Trademark Office employs staff who—day in and day out—decide whether a proposed mark is distinctive. Even though the PTO is not the typical agency to whom deference might be owed[,] . . . the Court finds that the Trademark

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<sup>1614</sup> *Annie Oakley Enters. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780 (S.D. Ind. 2021).

<sup>1615</sup> *Id.* at 804 (quoting *Est. of Ellington v. Gibson Piano Ventures, Inc.*, 75 U.S.P.Q.2d 1724, 1729 (S.D. Ind. 2005)).

<sup>1616</sup> *See Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624 (N.D. Tex. 2022).

<sup>1617</sup> The court noted with respect to the similarity between the parties’ marks that “[t]his suit stems from cross-allegations of infringement over the same trademark. Similarity implies comparison, but there is no similarity here: there is only identity.” *Id.* at 650.



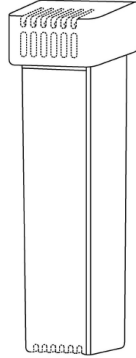
Examiner's decision is further evidence of the Mark's protectability.<sup>1618</sup>

The counterclaim defendant's registration of its mark therefore became a disadvantage, rather than an advantage.

## 2. Judicial Authority Over Federal Registrations and Applications

Section 37 of the Act provides that “[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”<sup>1619</sup> As always, courts invited to exercise their authority under Section 37 did so in the context of claims that registrants had either procured or maintained their registrations through fraudulent submissions to the USPTO.<sup>1620</sup>

The rejection of claims of fraudulent procurement and maintenance was the rule, rather than the exception. For example, a Massachusetts federal district court proved an inhospitable forum for a claim of fraudulent procurement of a registration of the following configuration for filter cartridges for ozone sanitizers:<sup>1621</sup>



The gravamen of the defendant's fraud-based challenge to the registration was that the plaintiff had represented to the USPTO that it had enjoyed the substantially exclusive use of configuration for five years, when, in fact, until shortly before that representation,

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<sup>1618</sup> *Id.* at 645 (citations omitted).

<sup>1619</sup> 15 U.S.C. § 1119 (2018).

<sup>1620</sup> For an opinion holding that Section 37's grant of federal subject-matter jurisdiction ordinarily does not authorize federal courts to intervene in the USPTO's processing of pending applications, see *adidas America, Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151, 162–63 (S.D.N.Y. 2022) (granting motion to dismiss).

<sup>1621</sup> See *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 292 (D. Mass. 2021), *aff'd*, 52 F.4th 1363 (Fed. Cir. 2022).

the configuration had featured a different arrangement of the openings around the configuration's head. As the court noted, however, the plaintiff had disclaimed those elements from its application by depicting them in broken lines.<sup>1622</sup> In any case, the court found, "[the defendant's] proof falls far short of establishing by clear and convincing evidence that not only did [the plaintiff] make a false representation, but that it knew that the representation was false and *intended* to deceive the examiner by that false representation."<sup>1623</sup>

Another assertion of fraud resulted in a procedural stalemate on the parties' cross-motions for summary judgment.<sup>1624</sup> According to the court hearing that case:

"To prove fraudulent procurement of a trademark, a party must show: 1) the false representation regarding a material fact; 2) the registrant's knowledge or belief that the representation is false (*scienter*); 3) the intention to induce action or refraining from action in reliance on the misrepresentation; 4) reasonable reliance on the misrepresentation; and 5) damages proximately resulting from such reliance." The party claiming fraud "must prove by clear and convincing evidence that [the trademark applicant] made false statements with intent to deceive the USPTO."<sup>1625</sup>

The counterclaim defendant accused of infringing the marks covered by the challenged registrations sought to satisfy that test through showings that the counterclaim plaintiff had falsely represented in the registration process that: (1) hangtags bearing the marks were affixed to novelty T-shirts also bearing the marks; (2) no other party had the right to use the marks; and (3) the marks were protectable (instead of being descriptive and lacking acquired distinctiveness, as the court found them to be). In support of those claims, the counterclaim defendant marshaled evidence of third-party use of the marks prior to the counterclaim plaintiff's use of them and additionally called the court's attention to testimony by the counterclaim plaintiff's former principal that "he did not search Etsy or Amazon for similar products before submitting the applications and did not retain any evidence of his Google searches";<sup>1626</sup> beyond those considerations, the USPTO had rejected

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<sup>1622</sup> *Id.* at 295.

<sup>1623</sup> *Id.* at 296.

<sup>1624</sup> *See Nursery Decals & More, Inc. v. Neat Print, Inc.*, 568 F. Supp. 3d 681 (N.D. Tex.), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).

<sup>1625</sup> *Id.* at 700–01 (first quoting *Int'l Prop. Assocs. v. Hoerbiger Holding AG*, 624 F. Supp. 2d 582, 592 (N.D. Tex. 2009); and then quoting *id.*).

<sup>1626</sup> *Id.* at 701.

an application filed by the counterclaim plaintiff to register a mark unrelated to the litigation based on an apparently fabricated specimen. The court found those showings sufficient to defeat the counterclaim plaintiff's motion for summary judgment on the issue, but, at the same time, they did not mandate summary judgment in the counterclaim defendant's favor. Instead, the court held, "testimony [by the counterclaim plaintiff's former principal] that he had a good faith belief that the marks were registrable and that the specimens submitted accurately reflected the goods in commerce at the time of the application" created a factual dispute as to the scienter of the counterclaim plaintiff's former principal when signing his company's applications.<sup>1627</sup> Nevertheless, that holding was ultimately mooted by the court's invalidation of the counterclaim plaintiff's registrations on the ground that the marks were descriptive and lacked acquired distinctiveness.<sup>1628</sup>

A closely similar disposition came in a different case in which multiple grounds for cancellation were asserted against a registration owned by one of the defendants.<sup>1629</sup> One such ground was that the registrant knew of the lead plaintiff's prior use of the registered mark before applying to register it, which the court rejected on the plaintiffs' motion for summary judgment without extended analysis because of a factual dispute concerning the registrant's intent.<sup>1630</sup> Nevertheless, that holding was rendered moot by the court's order of cancellation of the registration under Section 2(d)<sup>1631</sup> based on an application of the following test:

In order to cancel a registration under [the Lanham Act] in this case, [the plaintiff] must prove: (1) that the registered mark resembles [the plaintiff's] mark, (2) that [the plaintiff] acquired trade identity rights in the mark before the registrant used the mark, and (3) that the registered mark is likely to cause confusion when used in connection with the [products sold by the] registrant.<sup>1632</sup>

The registrant attempted to defend its registration by claiming that it, rather than the lead plaintiff, owned the disputed mark. That argument failed, however, and the court therefore ordered the USPTO to strike the registration from the Principal Register.<sup>1633</sup>

Finally, not all challenges to the validity of registrations in the regional circuits sounded in fraud. For example, in a case in which

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<sup>1627</sup> *Id.* at 702.

<sup>1628</sup> *Id.* at 700.

<sup>1629</sup> *See Shenzhen Kinwong Elec. Co. v. Kukreja*, 574 F. Supp. 3d 1191 (S.D. Fla. 2021).

<sup>1630</sup> *Id.* at 1245.

<sup>1631</sup> 15 U.S.C. § 1052(d) (2018).

<sup>1632</sup> *Shenzhen Kinwong Elec. Co.*, 574 F. Supp. 3d at 1244 (alterations in original) (quoting *Coach House Rest., Inc. v. Coach & Six Rests., Inc.*, 934 F.2d 1551, 1559 (11th Cir. 1991)).

<sup>1633</sup> *Id.*

the parties claimed to own the same mark, the court concluded on summary judgment that the counterclaim plaintiff enjoyed priority of rights as a matter of law.<sup>1634</sup> Having done so, it directed the USPTO to cancel the counterclaim defendant's registration of the disputed mark with the straightforward explanation that "where 'a registrant's asserted rights to a mark are shown to be invalid, cancellation is not merely appropriate, it is the best course.'"<sup>1635</sup>

### C. Constitutional Matters

#### 1. Article III Cases and Controversies

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;<sup>1636</sup> moreover, state law causes of action are inevitably subject to the same requirements. According to the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*,<sup>1637</sup> whether a particular dispute rises to this level properly should turn on "whether the facts alleged, under all the circumstances, show that there is a substantial controversy . . . of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."<sup>1638</sup>

In *Already, LLC v. Nike, Inc.*,<sup>1639</sup> the Supreme Court held that a plaintiff's mid-litigation delivery of a covenant not to sue precluded the defendant in that case from pursuing counterclaims seeking the invalidation of the plaintiff's claimed rights.<sup>1640</sup> Relying on *Already*, one defendant in a declaratory judgment action sought to pretermitt further proceedings by serving a similar document on its opponent.<sup>1641</sup> Unlike the covenant in the earlier case, however, the one at issue failed to secure the dismissal of the plaintiff's claims. For one thing, the plaintiff claimed a cognizable past injury arising from an allegedly wrongful Etsy takedown notice, which was not cured by the defendant's promise not to pursue its present claims. For another, it was not apparent that that promise extended to future takedowns; instead, as the court observed, "[the defendant] has not unequivocally stated that the Covenant applies to take-

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<sup>1634</sup> See *TWD, LLC v. Grunt Style LLC*, 598 F. Supp. 3d 676 (N.D. Ill. 2022).

<sup>1635</sup> *Id.* at 688 (quoting *Cent. Mfg., Inc. v. Brett*, 492 F.3d 876, 883 (7th Cir. 2007)).

<sup>1636</sup> U.S. Const. art. III, § 2, cl. 1; 28 U.S.C. § 2201 (2018).

<sup>1637</sup> 549 U.S. 118 (2007).

<sup>1638</sup> *Id.* at 127 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

<sup>1639</sup> 568 U.S. 85 (2013).

<sup>1640</sup> *Id.* at 93–95.

<sup>1641</sup> See *Nursery Decals & More, Inc. v. Neat Print, Inc.*, 568 F. Supp. 3d 681 (N.D. Tex.), *reconsideration denied*, 575 F. Supp. 3d 740 (N.D. Tex. 2021), *mot. to vacate denied*, No. 3:19-CV-2606-B, 2022 WL 1018401 (N.D. Tex. Apr. 5, 2022).

down notices, nor does the Covenant itself include that term.”<sup>1642</sup> Beyond those considerations, “as a four-justice concurrence noted in *Already*, the trademark holder—not the alleged infringer—must prove that the covenant not to sue is adequate to protect the alleged infringer’s current and future products from enforcement action.”<sup>1643</sup> Because the defendant had failed to carry that burden, its motion to dismiss fell short of the mark.

A different opinion from a Kentucky federal district court and addressing the metes and bounds of actionable cases and controversies under Article III did so in the context of the parties’ motion for the entry of a consent judgment that included a permanent injunction.<sup>1644</sup> Undoubtedly to the parties’ surprise, the court began its consideration of their motion by sua sponte raising the questions of whether “once the parties reach agreement, [do] the underlying disputes even qualify as ‘Cases’ and ‘Controversies’ as used by the framers of Article III? And could justice proceed just as swiftly based on private settlement agreements alone?”<sup>1645</sup> “In other words,” it continued “[i]f the parties have already agreed they’ll stop doing whatever causes the harm, why would they need the Court to order [the] ‘extraordinary remedy’ of an injunction ‘merely to further solemnize an already enforceable contract?’”<sup>1646</sup> Nevertheless, following additional briefing by the parties and despite its concern that the long-standing tradition of other courts entering injunctive relief at parties’ request was “not easy to reconcile with mootness precedent,”<sup>1647</sup> the court ultimately granted the parties’ motion. Nevertheless, it only took that action after concluding that controlling authority from the Sixth Circuit mandated that outcome because the requested relief: (1) sprang from and resolved a dispute within the court’s subject-matter jurisdiction; (2) came within the general scope of that dispute; and (3) furthered the objective of the law on which the complaint was based.<sup>1648</sup>

A final noteworthy opinion called into question the validity of the standard practice in trademark and unfair competition litigation of filing actions against unknown defendants by identifying them as “John Does.”<sup>1649</sup> Anticipating the piracy of marks belonging to a Korean pop band for which they served as

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<sup>1642</sup> *Id.* at 694.

<sup>1643</sup> *Id.*

<sup>1644</sup> *See* *Lexington Ins. Co. v. Ambassador Grp.*, 581 F. Supp. 3d 863 (W.D. Ky. 2021).

<sup>1645</sup> *Id.* at 866.

<sup>1646</sup> *Id.* (alterations in original) (quoting *J.P. Morgan Secs. v. Kittell*, 554 F. Supp. 3d 895, 896 (W.D. Ky. 2021)).

<sup>1647</sup> *Id.* at 868.

<sup>1648</sup> *Id.* at 869-70.

<sup>1649</sup> *See* *Hybe Co. v. Does* 1–100, 598 F. Supp. 3d 1005 (D. Nev. 2022).

licensing agents, the plaintiffs in the case producing it sought an ex parte seizure order with national effect from a Nevada federal district court. Although the John Doe defendants targeted by the plaintiffs' moving papers understandably did not appear to oppose those papers, the court denied the plaintiffs' request for expedited relief in part with the explanation that "because the complaint and plaintiffs' motions fail to allege that any particular defendant has taken actions to infringe on their rights, plaintiffs cannot yet show that there is any actual case or controversy to be adjudicated."<sup>1650</sup> The plaintiffs attempted to pretermitt that outcome by alleging that "other unnamed people sold bootlegged merchandise at previous . . . shows,"<sup>1651</sup> but, even if it was a correct assumption that the same conduct would transpire at future shows, it was "insufficient to demonstrate that there is a ripe dispute between parties on which the court could weigh in."<sup>1652</sup>

## 2. The First Amendment

### a. *The Right to Free Speech*

As has been increasingly the case in recent years, the test for liability first set forth in *Rogers v. Grimaldi*,<sup>1653</sup> played a significant role in trademark-based challenges to the titles and content of creative works. Although applications of that test vary from court to court, the test generally requires plaintiffs to demonstrate that challenged imitations of the plaintiff's mark either have no artistic relevance to the underlying creative work or, if they do have any artistic relevance, they are explicitly misleading.<sup>1654</sup> A plaintiff before a court that has adopted *Rogers* must also demonstrate that confusion is likely, whether as a standalone showing (as in the Ninth Circuit) or as part of the inquiry into whether the defendant's use is explicitly misleading (as in the Second Circuit).<sup>1655</sup>

As a historical matter, *trademark* and *service mark* uses by defendants have not received First Amendment protection for the simple reason that misleading and deceptive commercial speech does not qualify; that proposition has long been reflected in

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<sup>1650</sup> *Id.* at 1008.

<sup>1651</sup> *Id.*

<sup>1652</sup> *Id.*

<sup>1653</sup> 875 F.2d 994 (2d Cir. 1989).

<sup>1654</sup> *Id.* at 999.

<sup>1655</sup> *Compare* *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 265 (9th Cir. 2018) ("If the plaintiff satisfies both elements, it still must prove that its trademark has been infringed by showing that the defendant's use of the mark is likely to cause confusion.") *with* *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993) ("This determination must be made, in the first instance, by application of the venerable *Polaroid* [likelihood-of-confusion] factors.").

infringement jurisprudence,<sup>1656</sup> and it is expressly codified in the exclusions from liability for likely dilution found in Section 43(c)(3)(A).<sup>1657</sup> It was equally apparent in the denial of a motion to dismiss allegations of likely dilution brought against a defendant

<sup>1656</sup> See, e.g., *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 787 (8th Cir. 2004) (“The use of trademarks has not been protected where it is likely to create confusion as to the source or sponsorship of the speech or goods in question.”); *Te-Ta-Ma Truth Found.—Family of URI Inc. v. World Church of the Creator*, 297 F.3d 662, 667 (7th Cir. 2002) (“Trademark rights promote the aims of the first amendment by enabling producers of the spoken and written word to differentiate themselves. If multiple businesses use the same (or confusingly similar) names, the result is cacophony rather than discussion or debate.”); *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*, 128 F.3d 86, 93 (2d Cir. 1997) (rejecting First Amendment defense on ground that “[the defendant] is using the [challenged] slogan as a mark, and using it to suggest the same source identification as plaintiffs”); *Charles of the Ritz Grp. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 1324 (2d Cir. 1987) (affirming entry of preliminary injunction against infringing mark and observing that “[m]isleading commercial speech [sic] is beyond the protective reach of the First Amendment” (quoting *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272, 276 n.8 (2d Cir. 1981)); *McAllister Olivarius v. Mermel*, 298 F. Supp. 3d 661, 676 (S.D.N.Y. 2018) (“[T]he First Amendment does not protect the use of a trademark in a domain name that creates a likelihood of confusion as to the source or sponsorship of the attached website.”); *Diller v. Barry Driller Inc.*, 104 U.S.P.Q.2d 1676, 1684 (C.D. Cal. 2012) (“In a trademark infringement case, First Amendment interests are usually not implicated because infringement is based on the use of a trademark, not as a communicative message.”); *Pfizer Inc. v. Sachs*, 652 F. Supp. 2d 512, 524 (S.D.N.Y. 2009) (finding infringement as a matter of law and observing that “[i]n analyzing Defendants’ First Amendment defense to a Lanham Act claim, the central inquiry is whether a defendant’s use is likely to cause confusion”); *Univ. of Kan. v. Sinks*, 565 F. Supp. 2d 1216, 1262 (D. Kan. 2008) (dismissing defendants’ First Amendment defense on summary judgment on ground that “there are many ways in which the defendants could express their views without allegedly infringing on [the plaintiffs’] trademarks”); *HER, Inc. v. RE/MAX First Choice, LLC*, 468 F. Supp. 2d 964, 977 (S.D. Ohio 2007) (“Speech is not . . . entitled to First Amendment protection when the Defendants engage in a commercially misleading use of Plaintiffs’ marks.”); *SMJ Grp., Inc. v. 417 Lafayette Rest. LLC*, 439 F. Supp. 2d 281, 291 (S.D.N.Y. 2006) (“The 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. Here, defendants use plaintiffs’ marks as a source identifier, and therefore defendants’ use is not protected by the First Amendment. The fact that defendants’ message is critical as a general matter is not dispositive, because the use of the mark and not the content of the message is the focus of the inquiry.”); *Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 954 (N.D. Ill. 2002) (“[A] First Amendment defense fails ‘where the trademark functions to connote the source of the product or message, rather than being used in a communicative message.’” (quoting *Brach Van Houten Holding, Inc. v. Save Brach’s Coal. for Chicago*, 856 F. Supp. 472, 476 (N.D. Ill. 1994)); *OBH, Inc. v. Spotlight Mag., Inc.*, 86 F. Supp. 2d 176, 197 (W.D.N.Y. 2000) (“[D]efendants chose to use plaintiffs’ mark as their domain name in order to deceive Internet users into believing that they were accessing plaintiffs’ web site. Such a use of plaintiffs’ mark is not protected by the First Amendment.”); *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 418 (S.D.N.Y. 2001) (denying motion to dismiss and observing that “Plaintiff’s trademark claims against [Defendant] are not ‘barred’ by the First Amendment because[] they challenge allegedly infringing commercial speech used to identify the source of a product”); *Res. in Motion Ltd. v. Defining Presence Mktg. Grp.*, 102 U.S.P.Q.2d 1187, 1192 (T.T.A.B. 2012) (“[I]n the event that prospective purchasers of applicants’ goods and services might well believe that both parties’ goods and services come from the same source, then the likelihood of confusion will usually trump any First Amendment concerns.”).

<sup>1657</sup> 15 U.S.C. § 1125(c)(3)(A) (2018).

accused of imitating the plaintiffs' registered EMMY award statuette to promote the defendant's "wild conspiracy theories."<sup>1658</sup> One reason for that denial was the defendant's failure to establish from the averments of the plaintiffs' complaint that its claimed parody was directed to the plaintiffs in particular.<sup>1659</sup> Another, however, was that the defendant's use of its imitation statuette to promote its own services disqualified it from Section 43(c)(3)(A)'s exclusions.<sup>1660</sup>

Nevertheless, the Ninth Circuit has in recent years held the *Rogers* test applicable to *trademark* uses by defendants. With that practice currently before the Supreme Court for review,<sup>1661</sup> the Ninth Circuit doubled down in an opinion unapologetically affirming a finding of nonliability as a matter of law in a case brought by the owner of the PUNCHBOWL mark for online party and event planning services.<sup>1662</sup> The defendant accused of infringing that mark operated a service that provided "curated, non-partisan commentary, opinions, and critiques" with a Washington DC focus;<sup>1663</sup> the defendant also had applied to register PUNCHBOWL NEWS and PUNCHBOWL PRESS for its services. Although the plaintiff might well have faced an uphill battle demonstrating likely confusion under even a straightforward application of the usual multifactored test for infringement, its loss on a defense motion for summary judgment became a near-certainty once a California federal district court, and then the Ninth Circuit, held the defendant's use eligible for *Rogers*'s protection. Seeking to escape that outcome on appeal, the plaintiff argued that *Rogers* did not apply because the defendant's use was in the nature of a "commercial brand." The Ninth Circuit was unconvinced:

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<sup>1658</sup> See Nat'l Acad. of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc., 551 F. Supp. 3d 408, 417 (S.D.N.Y. 2021).

<sup>1659</sup> As the court explained:

Defendant concedes that its Video does not mention either the Emmy Statuette or the Television Academies, and nothing about its use of the Crony Graphic pokes fun at or comments on the Television Academies. Accordingly, the parody exception does not apply. Similarly, although Defendant argues that its use of [an imitation of the plaintiffs' statuette] "qualifies as social commentary on the television industry and its role in creating public perceptions," the fair use exception does not apply to "expansive social criticism, as opposed to a targeted comment or parody of the original."

*Id.* at 426 (citations omitted) (quoting Louis Vuitton Malletier, S.A. v. Hyundai Motor Am., No. 10-CV-1611, 2012 WL 1022247, at \*19 (S.D.N.Y. Mar. 22, 2012)).

<sup>1660</sup> *Id.*

<sup>1661</sup> See VIP Prods. LLC v. Jack Daniel's Props. Inc., No. CV-14-02057-PHX-SMM, 2021 WL 5710730 (D. Ariz. Oct. 8, 2021) (applying *Rogers* to grant defense motion for summary judgment, despite prior finding of trademark use by counterclaim defendant), *aff'd*, No. 21-16969, 2022 WL 1654040 (9th Cir. Mar. 18, 2022), *cert. granted*, 143 S. Ct. 476 (2022).

<sup>1662</sup> See Punchbowl, Inc. v. AJ Press, LLC, 52 F.4th 1091 (9th Cir. 2022).

<sup>1663</sup> *Id.* at 1095.



[I]n this case, attempting to distinguish between a brand and the body and titles of individual articles fails to appreciate the expressive connection between the publication's title and brand and the reporting that appears under that heading. The title of the publication here amplifies the content of the communications and gives context to them. [The plaintiff] concedes that the use of the word "Punchbowl" in an article or the title of an individual article would be expressive. That [the defendant] used "Punchbowl" as the title of a proverbial series does not make it any less expressive.

....

... Just because a mark is used as a brand for a media publication does not mean the use of the name is beyond *Rogers's* coverage.<sup>1664</sup>

With the plaintiff apparently conceding that the defendant's uses were artistically relevant to the defendant's services—"punchbowl" being a well-known reference to the United States Capital—the appellate court turned its attention to *Rogers's* second prong, namely, whether the defendant's marks were explicitly misleading. "Because the use of a trademark alone is not dispositive," it held, "we weigh two primary considerations in evaluating whether the junior use is explicitly misleading: '(1) the degree to which the junior user uses the mark in the same way as the senior user and (2) the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself.'"<sup>1665</sup> With respect to the first of those considerations, the court found the parties' respective uses to be in connection with "two different enterprises that do very different things";<sup>1666</sup> those differences therefore precluded the first factor from favoring liability. Then, with respect to the second factor, the court credited the defendant's showing that "[t]he Punchbowl Mark is only a part of *Punchbowl News's* overall branding, which, as noted, includes a slogan and a logo. In addition, *Punchbowl News's* 'larger expressive creation' consists of its series of newsletters, podcasts, and videos."<sup>1667</sup> Finally, before rejecting the plaintiff's reliance on apparently favorable survey evidence as "not relevant to the question of whether [the defendant's] use of the [challenged] Mark[s] is explicitly misleading, which is a legal test for assessing whether the Lanham Act applies,"<sup>1668</sup> the court held that the

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<sup>1664</sup> *Id.* at 1099.

<sup>1665</sup> *Id.* at 1100 (quoting *Dr. Seuss Enters., L.P. v. ComicMix LLC*, 983 F.3d 443, 462 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 2803 (2021)).

<sup>1666</sup> *Id.* at 1101.

<sup>1667</sup> *Id.* at 1102.

<sup>1668</sup> *Id.* at 1104.

defendant's identification of its founders was an additional fact favoring a finding of nonliability as a matter of law.<sup>1669</sup>

An application of *Rogers* by a New York federal district court similarly disposed of certain claims by forty-three professional models, who objected to an editorial feature covering their recent runway appearances—referred to by the plaintiffs and the court as “the Runway Editorial”—by the lead defendant, the parent company of *Vogue*.<sup>1670</sup> The plaintiffs’ objections were less to the Runway Editorial itself than to the appearance on *Vogue*’s website of the phrase “Shop This Look” and links to the site of a second defendant, named Moda Operandi, at which consumers could purchase apparel in which the worn by the models, of which the following is a representative example:<sup>1671</sup>



As the court summarized the plaintiffs’ allegations, they complained that:

[T]he use of photographs in which they are wearing designer clothes that they exhibited on the runway in the manner described above is likely to cause consumers be confused or to draw the mistaken inference that (1) the plaintiff models are affiliated, connected or associated with Moda’s brand, and that (2) the plaintiff models endorse or promote consumers’ use of Moda as a venue for buying the clothes they are wearing.<sup>1672</sup>

<sup>1669</sup> *Id.* at 1103–04.

<sup>1670</sup> *See* *Champion v. Moda Operandi, Inc.*, 561 F. Supp. 3d 419 (S.D.N.Y. 2021).

<sup>1671</sup> *Id.* at 428.

<sup>1672</sup> *Id.* at 433.

Unfortunately for the models, the court concluded on the lead defendant's motion to dismiss that "common sense" mandated a finding that *Vogue's* coverage of the models qualified as an expressive work within the ambit of the *Rogers* test.<sup>1673</sup> Rejecting the plaintiffs' argument that the links to Moda's site rendered the Runway Editorial purely commercial in nature, it instead concluded that the editorial's purpose was "to report and comment on the season's various runway collections."<sup>1674</sup> "The opportunity to purchase clothing is made available to the reader," it continued, "but only in the context of a preview of the designer's entire collection and journalistic commentary on that collection."<sup>1675</sup> Thus, although "[t]he Runway Editorial unquestionably has both journalistic and commercial aspects to it, . . . it is plainly an 'expressive work' as that term is understood in First Amendment jurisprudence."<sup>1676</sup>

Having reached that initial conclusion, the court applied every aspect of the *Rogers* test to the plaintiffs' detriment. First, the court found, "[t]he use of photographs of Plaintiffs walking the runway, modeling the designers' clothing at the major fashion shows during which new looks are introduced, is unquestionably relevant to the ideas conveyed in the editorial commentary on the fashions of the upcoming year," thereby precluding liability under the first prong of the *Rogers* analysis.<sup>1677</sup> Moreover, the plaintiffs had failed to plead the "particularly compelling" claim of likely confusion required for a finding of liability under *Rogers's* second prong; instead, "[n]owhere does the *Vogue* Runway Editorial Feature . . . ever explicitly misrepresent that Plaintiffs endorsed Moda as the seller of the clothes they modeled or are in any way affiliated with Moda."<sup>1678</sup> The plaintiffs' federal false endorsement claims therefore failed as a matter of law.

As reflected in these outcomes, *Rogers* is very much a pro-defendant standard. Nevertheless, a rare victory for a plaintiff under a *Rogers*-based analysis, initially on a motion to dismiss and eventually in the form of a jury verdict of liability, came in a case arising in the context of non-fungible tokens.<sup>1679</sup> The plaintiff was a luxury fashion business, which sold high-end handbags under the BIRKIN mark. In late 2021, the defendant, a self-styled "marketing strategist" in the fashion industry, created digital images of faux-fur-covered versions of the plaintiff's bags, which he sold as NFTs. The defendant marketed his collection under the METABIRKINS

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<sup>1673</sup> *Id.* at 434.

<sup>1674</sup> *Id.*

<sup>1675</sup> *Id.*

<sup>1676</sup> *Id.*

<sup>1677</sup> *Id.* at 435.

<sup>1678</sup> *Id.* at 436.

<sup>1679</sup> *See Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98 (S.D.N.Y. 2022).

mark, but he did not actually use that term when selling his NFTs; instead, he assigned each a number.

That strategy did not head off a lawsuit in the Southern District of New York, which the defendant unsuccessfully challenged as failing to state a claim. As a threshold matter, the court rejected the plaintiff's argument that, because the defendant used METABIRKINS as a mark to brand a product line, to attract public attention, and to signify source, *Rogers* did not apply. "Because [the defendant] is selling digital images of handbags that could constitute a form of artistic expression," the court held, "balancing the First Amendment concerns with Lanham Act protection requires applying the *Rogers* test."<sup>1680</sup> It then explained:

[The plaintiff] tries to distinguish *Rogers* on the ground that [the defendant] uses the "MetaBirkins" mark as a source identifier on social media to promote and advertise the NFTs, as a URL, and to identify a website, arguing that the First Amendment does not protect unauthorized use of another's mark as a source identifier. But this does little to distinguish *Rogers* or explain why the *Rogers* test does not apply here. Using the title of the artwork for social media and online accounts dedicated to selling the artwork is just like the marketing and advertising approved in *Rogers*. And *Rogers* is not inapplicable simply because [the defendant] sells the images—the movie studio defendant in *Rogers* sold the film at issue. Neither does [the defendant's] use of NFTs to authenticate the images change the application of *Rogers*: because NFTs are simply code pointing to where a digital image is located and authenticating the image, using NFTs to authenticate an image and allow for traceable subsequent resale and transfer does not make the image a commodity without First Amendment protection any more than selling numbered copies of physical paintings would make the paintings commodities for purposes of *Rogers*.<sup>1681</sup>

The defendant's victory on the applicability of *Rogers* was short-lived, however. With respect to *Rogers*' first prong, the court declined to find as a matter of law that the defendant's METABIRKINS was artistically relevant to his line of digital bags. In doing so, the court relied heavily on the defendant's statement in an interview that "for me, there's nothing more iconic than the [plaintiff's] Birkin bag. And I wanted to see as an experiment if I could create that same kind of illusion that it has in real life as a digital commodity."<sup>1682</sup> The court initially held that "[t]he artistic relevance prong ensures that the defendant intended an artistic—

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<sup>1680</sup> *Id.* at 104.

<sup>1681</sup> *Id.*

<sup>1682</sup> *Id.* at 101.

i.e., noncommercial—association with the plaintiff's mark, as opposed to one in which the defendant intends to associate with the mark to exploit the mark's popularity and good will."<sup>1683</sup> It then held that "the amended complaint includes sufficient allegations that [the defendant] entirely intended to associate the 'MetaBirkins' mark with the popularity and goodwill of [the plaintiff's] Birkin mark, rather than intending an artistic association."<sup>1684</sup>

The court's conclusion with respect to *Rogers*'s second prong was similar. In contrast to the Ninth Circuit, which requires plaintiffs to demonstrate likely confusion separately and independently of the inquiry into whether defendants' uses are explicitly misleading, the Second Circuit requires consideration of the standard multifactor test for likely confusion. That made all the difference in the world, for, as the court held, "[a]pplying the *Polaroid* factors is fact-intensive, and resolving the likelihood of confusion on a motion to dismiss posture is not appropriate."<sup>1685</sup> It then disposed of three additional arguments advanced by the defendants, which were "(1) that explicit misleadingness cannot be established by use of the mark alone; (2) that evidence of confusion alone is not sufficient to prove explicit misleadingness; and (3) that evidence of confusion must relate to the nature of the behavior of the identifying material's user, not the impact of the use."<sup>1686</sup> "As to the first two arguments," the court held,

the amended complaint alleges more than simply use or actual confusion. And as to the third, even assuming arguendo this were correct, the amended complaint contains sufficient factual allegations as to [the defendant's] behavior—not just the impact of the use on consumers, the media, and the public, but also that [the defendant] himself made statements that are plausibly interpreted as explicitly misstatements and that this engendered the confusion on the part of consumers.<sup>1687</sup>

The court eventually denied the defendant's motion for summary judgment<sup>1688</sup> and referred the liability inquiry to a jury, which found the defendant's use violated the plaintiff's rights even under *Rogers*.<sup>1689</sup>

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<sup>1683</sup> *Id.* at 105 (quoting *Louis Vuitton Malletier S.A. v. Warner Bros. Ent. Inc.*, 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012)).

<sup>1684</sup> *Id.*

<sup>1685</sup> *Id.* at 106.

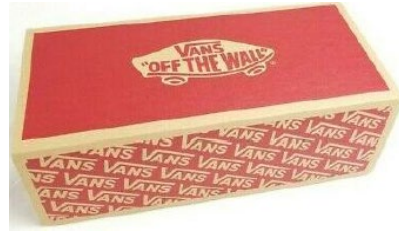
<sup>1686</sup> *Id.*

<sup>1687</sup> *Id.*

<sup>1688</sup> *See Hermès Int'l v. Rothschild*, No. 22-CV-384 (JSR), 2023 WL 1458126 (S.D.N.Y. Feb. 2, 2023).

<sup>1689</sup> *See Verdict Form at 1, Hermès Int'l v. Rothschild*, No. 22-CV-384 (JSR) (S.D.N.Y. Feb. 8, 2023).

Perhaps even more surprisingly, another New York federal district court did not apply *Rogers* at all in a case in which the defendant characterized its goods as “limited edition, collectible work[s] of art,” but instead issued preliminary injunctive relief after finding confusion likely under a parody analysis.<sup>1690</sup> It did so after the plaintiffs filed suit to protect the marks and trade dress appearing in the top row below against the uses appearing in the bottom row:<sup>1691</sup>



In entering the interlocutory relief requested by the plaintiffs, the court’s *Rogers*-less analysis opinion held that:

“A parody must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody.” “The latter message must not only differentiate the alleged parody from the original but must also communicate some articulable element of satire, ridicule, joking, or amusement.” A successful parody “clearly indicates to the ordinary observer that the defendant is not connected in any way with the owner of the target trademark.”<sup>1692</sup>

<sup>1690</sup> See *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 602 F. Supp. 3d 358, 369 (E.D.N.Y. 2022), appeal docketed, No. 22-1006 (2d Cir. May 22, 2022).

<sup>1691</sup> Complaint at 2, 3, 5, *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 602 F. Supp. 3d 358 (E.D.N.Y. 2022) (No. 22CV2156WFKRML).

<sup>1692</sup> *Vans*, 602 F. Supp. 3d at 370 (first quoting *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Grp., Inc.*, 886 F.2d 490, 494 (2d Cir. 1989); and then quoting *Louis Vuitton*

That analysis, which entailed the court’s application of the Second Circuit’s standard likelihood-of-confusion factors instead of *Rogers*, played a significant role in the outcome:

While the [defendant’s] shoes convey their similarity and reference to the [plaintiffs’] . . . Marks, the shoes do not sufficiently articulate an “element of satire, ridicule, joking or amusement” clearly indicating to the ordinary observer the Defendant is “not connected in any way with the owner of the target trademark.” Although Defendant included its own branding on the label and distorted the original Marks, the extensive similarities and overall impression overcome any such distinguishing features, as evidenced by actual confusion in the marketplace. While [a] manifesto accompanying the shoes may contain protected parodic expression, the [Defendant’s] shoes and packaging in and of themselves fail to convey the satirical message.<sup>1693</sup>

In addition to crediting the plaintiffs’ showing of actual confusion, which consisted in part of proof that “[m]ultiple independent sources” had “commented on the similarity between the [parties’ shoes],”<sup>1694</sup> the court also found that the parties’ retail customers were unsophisticated<sup>1695</sup> and that the defendant’s shoes were both lower in quality than those of the plaintiffs and likely to injure consumers.<sup>1696</sup> With “the good faith of the Defendant . . . indeterminable” from the preliminary injunction record,<sup>1697</sup> the plaintiff had demonstrated a likelihood of success on the merits of its claim of infringement.

Although the Federal Circuit held that the attempted vindication of at least some individuals’ rights of publicity via Section 2(c) of the Act<sup>1698</sup> was subject to First Amendment limitations,<sup>1699</sup> other courts addressing persona-based causes of action pushed back against claims of protected free speech. For example, the plaintiffs in one case objected to the defendant’s use of teaser profiles featuring the plaintiff to promote a website that aggregated information personal information, including criminal

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Malletier, S.A. v. My Other Bag, Inc., 156 F. Supp. 3d 425, 434–35 (S.D.N.Y. 2016), *aff’d*, 674 F. App’x 16 (2d Cir. 2016)).

<sup>1693</sup> *Id.* at 371 (quoting *My Other Bag, Inc.*, 156 F. Supp. 3d at 435).

<sup>1694</sup> *Id.* at 368.

<sup>1695</sup> *Id.* at 368–69.

<sup>1696</sup> *Id.* at 370.

<sup>1697</sup> *Id.*

<sup>1698</sup> 15 U.S.C. § 1052(c) (2018).

<sup>1699</sup> *See In re Elster*, 26 F.4th 1328 (Fed. Cir. 2022).

*Elster* is addressed in greater detail in Part I of this Review.

records.<sup>1700</sup> The defendant argued the First Amendment protected its conduct, but the court found the defendant's teasers both commercial speech and likely deceptive because "[t]hey place individuals' names next to large lettering indicating that they 'may' have felonies, arrests, and similar records even when that is not true."<sup>1701</sup> "In context," the court continued, "it appears relatively clear that the point of using phrases like that is to attract interest for the commercial product. And it seems likely that reasonable people may be deceived into believing that individuals have committed bad or criminal acts when they have not."<sup>1702</sup> According to the court in denying a defense motion to dismiss, that likely deception removed the defendant's conduct from the ambit of First Amendment protection.<sup>1703</sup>

Another court rejecting an expansive scope of free-speech protection, albeit in an opinion ultimately vacated on other grounds, also did so in the context of teaser advertising.<sup>1704</sup> In the dispute producing it, the defendant operated a website that aggregated "information from school yearbooks, including names, photographs, schools attended, and other biographical information."<sup>1705</sup> When the plaintiff encountered the defendant's use of her name and image to promote the defendant's services, she asserted a cause of action under the Ohio right of publicity statute<sup>1706</sup> and sought class certification to allow her to vindicate the rights of all similarly situated individuals; the defendant responded with a multiple-ground motion to dismiss, which included the assertion that a finding of liability would violate the First Amendment. After holding that the plaintiff had adequately averred a violation of the statute, the court concluded that the defendant's conduct constituted commercial speech for purposes of the defendant's free-speech argument. From there, the court held that "[i]t is questionable that the commercial speech at issue here is entitled to any protection, given that it misappropriates [the plaintiff's] persona and potentially misleads the public."<sup>1707</sup> "But," the court continued, "even if the advertisement is entitled to protection as commercial speech, the Right of Publicity Law directly and appropriately advances Ohio's substantial interest in enabling its

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<sup>1700</sup> See *Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. Jul. 8, 2022).

<sup>1701</sup> *Id.* at 886.

<sup>1702</sup> *Id.* at 900.

<sup>1703</sup> *Id.*

<sup>1704</sup> See *Knapke v. PeopleConnect Inc.*, 553 F. Supp. 3d 865 (W.D. Wash. 2021), *vacated*, 38 F.4th 824 (9th Cir. 2022).

<sup>1705</sup> *Id.* at 871.

<sup>1706</sup> Ohio Rev. Code § 2741.02.

<sup>1707</sup> *Knapke*, 553 F. Supp. 3d at 880.



citizens to protect the non-consensual commercial exploitation of their likeness without overbroadly prohibiting commercial speech.”<sup>1708</sup> The First Amendment therefore did not bar the plaintiff’s state statutory cause of action.

Finally, a California intermediate appellate court affirmed the denial of a First Amendment-based motion to dismiss various persona-based causes of action under that state’s law.<sup>1709</sup> The gravamen of the plaintiff’s complaint was that the defendants had broadcast unauthorized footage of the plaintiff at a runway event—some of it filmed in a private changing room and featuring “her nearly completely nude body”—in their reality show.<sup>1710</sup> Invoking the California Anti-SLAPP statute in a motion to dismiss,<sup>1711</sup> the defendants argued that their show comprised constitutionally protected speech. Affirming the denial of the defendant’s motion, the court initially agreed with the defendants that “[t]he daily lives, experiences, and struggles faced by models constitute an issue of public interest . . . .”<sup>1712</sup> Nevertheless, it concluded that the plaintiff’s averments established a probability of her prevailing on the merits of her causes of action, including one for tortious misappropriation of name or likeness.<sup>1713</sup> The defendants therefore were not entitled to prevail at the pleadings stage under a free-speech theory.

### ***b. The Right to Petition***

Under *Eastern Rail Road Presidents Conference v. Noerr Motor Freight, Inc.*,<sup>1714</sup> and *United Mine Workers v. Pennington*,<sup>1715</sup> petitioning government bodies, including courts, is a privileged activity under the First Amendment. According to the Supreme Court’s most extensive explanation of the doctrine, a defendant’s petitioning activity is protected unless the plaintiff can establish the defendant’s conduct was a “sham” in the sense that: (1) it was objectively baseless; and (2) it was undertaken with a subjective intent to harm the plaintiff.<sup>1716</sup> Although their requirements are not often as well-defined, some state anti-SLAPP statutes—or, in other words, statutes intended to prevent strategic lawsuits against

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<sup>1708</sup> *Id.*

<sup>1709</sup> See *Belen v. Ryan Seacrest Prods., LLC*, 280 Cal. Rptr. 3d 662 (Ct. App. 2021), review denied (Oct. 13, 2021).

<sup>1710</sup> *Id.* at 667.

<sup>1711</sup> Cal. Civ. Proc. Code § 425.16.

<sup>1712</sup> *Belen*, 280 Cal. Rptr. at 672.

<sup>1713</sup> *Id.* at 667.

<sup>1714</sup> 365 U.S. 875 (1961).

<sup>1715</sup> 381 U.S. 657 (1965).

<sup>1716</sup> See generally *Prof'l Real Est. Inv'rs, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 60-61 (1993).

public participation—protect the initiation of adversarial proceedings in much the same manner as the constitutional *Noerr-Pennington* doctrine.<sup>1717</sup>

The California anti-SLAPP statute<sup>1718</sup> was successfully invoked in a case brought against several defendants after they had successfully challenged the plaintiffs’ registration of a domain name in a UDRP proceeding.<sup>1719</sup> The plaintiffs asserted that the defendants’ prosecution of that challenge exposed the defendants to liability under various California state-law torts. In response, the defendants moved for the dismissal of the action on the theory that their pursuit of the UDRP arbitration constituted a protected “official proceeding” within the statute’s scope because, as the court put it, “ICANN is a quasi-public organization to which the U.S. Department of Commerce has delegated authority to resolve disputes over domain names.”<sup>1720</sup> Having reached that determination, the court turned to the question of whether the plaintiffs had sufficiently alleged liability for any cause of action not dependent on the plaintiffs’ trademark enforcement efforts. With the plaintiffs unable to establish that they had done so, their complaint fell victim to a successful motion to dismiss.<sup>1721</sup>

### 3. The Right to a Jury Trial Under the Seventh Amendment

The Seventh Amendment provides that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.”<sup>1722</sup> Its scope has been a recurring subject of litigation in trademark and unfair competition in recent years, and the clear trend is to hold the amendment applicable to claims for the legal remedy of actual damages but not the equitable remedy of accountings of profits. For example, the Ninth Circuit addressed the question of whether, having referred the eligibility of a prevailing plaintiff for an accounting to a jury during an initial trial, a district court necessarily must do so again on remand: The answer, the court

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<sup>1717</sup> For an opinion holding that the New York anti-SLAPP statute, N.Y. Civ. Rights Law § 70-a, does not apply to claims brought in federal court, see *National Academy of Television Arts & Scis., Inc. v. Multimedia Sys. Design, Inc.*, 551 F. Supp. 3d 408, 430–31 (S.D.N.Y. 2021).

<sup>1718</sup> Cal. Civ. Proc. Code § 425.16(b)(1).

<sup>1719</sup> See *Dean v. Kaiser Found. Health Plan, Inc.*, 562 F. Supp. 3d 928 (C.D. Cal. 2022).

<sup>1720</sup> *Id.* at 934.

<sup>1721</sup> *Id.* at 935.

<sup>1722</sup> U.S. Const. amend. VII.

concluded, was no.<sup>1723</sup> An Indiana federal district court reached a similar conclusion in a case in which it had earlier sanctioned the plaintiffs by preventing them from seeking an award of their actual damages, a disability that the court concluded disqualified the plaintiffs from invoking the Seventh Amendment.<sup>1724</sup>

#### 4. The Dormant Commerce Clause

The Constitution's Commerce Clause grants Congress plenary power to "regulate Commerce with foreign Nations, and among the several States";<sup>1725</sup> the flip side of that authority is that, under the so-called "Dormant Commerce Clause," state and local governments cannot discriminate against out-of-state commerce or unduly burden interstate commerce.<sup>1726</sup> When the aggregator of personal information advertised subscriptions to its databases using "teasers" featuring just such information, it found itself a defendant in a class action lawsuit asserting violations of rights of publicity under the law of several states, to which it responded with a Dormant Commerce Clause-based motion to dismiss.<sup>1727</sup> Because the motion did not argue that the imposition of liability would discriminate against out-of-state commerce, the court required the defendant to demonstrate that "the burden imposed on [interstate] commerce is clearly excessive in relation to the putative local benefits."<sup>1728</sup> The defendant failed to do so:

[T]his is not a case in which the statutes preclude economic activity that takes place *wholly* outside of their states' borders or *directly control* commerce wholly outside of their states' borders. Nor does [the defendant] argue that there is any issue of states controlling prices in other states, which is all that many of the Supreme Court's precedents have been understood to bar. [The defendant's] argument, as best I can tell, is that it will have to follow different states' laws about what it can and cannot show to users. [The defendant] barely

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<sup>1723</sup> See *Harbor Breeze Corp. v. Newport Landing Sportfishing, Inc.*, 28 F.4th 35, 41 (9th Cir. 2022).

<sup>1724</sup> See *Annie Oakley Enters., Inc. v. Amazon.com, Inc.*, 559 F. Supp. 3d 780, 812 (S.D. Ind. 2021) ("It is . . . clear that Plaintiffs have no Seventh Amendment right to a jury trial on their Lanham Act claims, because the Court's earlier Order imposing sanctions prohibits Plaintiffs from pursuing actual damages and they instead seek only equitable relief in the form of disgorgement of profits and a permanent injunction. The Seventh Amendment does not apply to these claims because Plaintiffs seek only equitable relief and actual damages have been foreclosed.").

<sup>1725</sup> U.S. Const. art. I, § 8, cl. 3.

<sup>1726</sup> See generally *S. Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080, 2089–92 (2018).

<sup>1727</sup> See *Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. Jul. 8, 2022).

<sup>1728</sup> *Id.* at 898 (quoting *Sam Francis Found. v. Christies, Inc.*, 784 F.3d 1320, 1323 (9th Cir. 2015)).

attempts to show that this incidental burden—which is similar to countless similar burdens on any company operating in multiple states—approaches being “clearly excessive” in relation to the benefits each state receives.<sup>1729</sup>

The court therefore declined to dismiss the action at the pleadings stage.<sup>1730</sup>

### *D. Procedural Matters*

#### **1. Appellate Jurisdiction**

Under *Colorado River Water Conservation District v. United States*,<sup>1731</sup> a federal court may abstain from exercising jurisdiction over a case if the case’s subject matter duplicates that of a prior-filed action in state court. Hearing an infringement action brought by two licensors against certain of their licensees, a Missouri federal district court invoked *Colorado River* to stay the proceedings before it in favor of allowing a prior-filed case between the parties in a North Carolina state court and bearing on the scope of the licenses to run its course.<sup>1732</sup> Objecting to the stay, the federal court plaintiffs took their grievances to the Tenth Circuit, which concluded that the district court’s order lacked the requisite finality to create jurisdiction over the appeal under 28 U.S.C. § 1291’s rule that the federal courts of appeals “shall have jurisdiction of appeals from all final decisions of the district courts of the United States . . . except where a direct review may be had in the Supreme Court.”<sup>1733</sup> Although the parties themselves apparently had not addressed the issue of whether the district court’s order was a final one, the court did so by holding that “[a]n order staying civil proceedings is interlocutory and not ordinarily a final decision for purposes of 28 U.S.C. § 1291.’ ‘If, however, the stay entered is tantamount to a dismissal and effectively ends the litigation, then the order will be final and jurisdiction under section 1291 is proper.’”<sup>1734</sup> Because the order at issue invited the parties to move the district court to lift its stay after the state court determined the scope of the licenses, the Tenth Circuit concluded that the district court necessarily intended to remain involved in the matter. Because “[a] stay does not become a final order ‘merely because it may have the practical effect of

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<sup>1729</sup> *Id.* at 899 (citations omitted).

<sup>1730</sup> *Id.*

<sup>1731</sup> 424 U.S. 800 (1976).

<sup>1732</sup> See *Window World Int’l, LLC v. O’Toole*, 21 F.4th 1029 (8th Cir. 2022).

<sup>1733</sup> 28 U.S.C. § 1291 (2018).

<sup>1734</sup> *Window World Int’l*, 21 F.4th at 1032 (first quoting *Lunde v. Helms*, 898 F.2d 1343, 1345 (8th Cir. 1990); and then quoting *Cottrell v. Duke*, 737 F.3d 1238, 1241 (8th Cir. 2013)).

allowing a state court to be the first to rule on a common issue,”<sup>1735</sup> it dismissed the appeal for want of appellate jurisdiction.

## 2. Federal Subject-Matter Jurisdiction

Section 37 of the Act provides that “[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”<sup>1736</sup> Two plaintiffs invoked Section 37 in a bid to have a federal district court order the Trademark Trial and Appeal Board to enter judgment in their favor in a parallel opposition proceeding between the parties, but they came up short.<sup>1737</sup> Granting a defense motion to dismiss, the court held that, whatever Section 37’s grant of jurisdiction over federal registrations might be, the statute did not extend to pending applications: “[B]y its terms, § 37 contemplates an action involving a registered trademark,” not a pending opposition proceeding. Section 37 thus ‘gives district courts authority to cancel registered marks, not pending trademark registrations.’”<sup>1738</sup>

## 3. Standing

Under federal law, the standing inquiry contemplates two separate concepts. The first is standing under Article III of the Constitution, which requires a plaintiff to have “(1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision.”<sup>1739</sup> The second is whether the plaintiff has standing to invoke the cause of action under which it purports to proceed, which is increasingly governed by the Supreme Court’s 2014 opinion in *Lexmark International, Inc. v. Static Control Components, Inc.*;<sup>1740</sup> that opinion requires the plaintiff to demonstrate that its injury is within the “zone of interests” protected by its cause of action and proximately caused by the defendant’s conduct.<sup>1741</sup>

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<sup>1735</sup> *Id.* at 1034 (quoting *Moses H. Cone Mem’l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 10 n.11 (1983)).

<sup>1736</sup> 15 U.S.C. § 1119 (2018).

<sup>1737</sup> *See adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151 (S.D.N.Y. 2022).

<sup>1738</sup> *Id.* at 163 (alteration in original) (first quoting *Kohler Co. v. Bold Int’l FZCO*, 422 F. Supp. 3d 681, 739 (E.D.N.Y. 2018); and then quoting *GMA Accessories, Inc. v. Idea Nuova, Inc.*, 157 F. Supp. 2d 234, 241 (S.D.N.Y. 2000)).

<sup>1739</sup> *Spokeo, Inc. v. Robins*, 578 U.S. 330, 338 (2016).

<sup>1740</sup> 572 U.S. 118 (2014).

<sup>1741</sup> *Id.* at 270–30.

### *a. Opinions Finding Standing*

The most comprehensive examination of standing under both Article III of the Constitution and Section 43(a) came in a case initiated by the manufacturer of FDA-approved prescription-strength pain-relief patches.<sup>1742</sup> According to the plaintiff, the defendants, which sold over-the-counter pain-relief patches, had misrepresented numerous characteristics of their patches, which allegedly caused misled consumers into purchasing those patches, instead of the plaintiff's. Addressing Article III standing in the context of a defense motion to dismiss, the court held that the plaintiff's allegations adequately averred the required injury under the proposition that "[i]n a false advertising suit, a plaintiff establishes Article III injury if some consumers who bought the defendant's product under a mistaken belief fostered by the defendant would have otherwise bought the plaintiff's product";<sup>1743</sup> this was true despite the defendants' argument that the prescription vs. non-prescription nature of the parties' patches precluded the parties from competing for the same consumers.<sup>1744</sup> So too did the plaintiff's alleged inability to prove that the defendants' sales necessarily corresponded to losses by the plaintiff not preclude the plaintiff from establishing a traceable injury.<sup>1745</sup> Finally, the court held that the plaintiff had adequately averred a redressable injury, observing that "enjoining Defendants from using . . . allegedly false advertisements would therefore redress Plaintiff's harm of losing sales from customers who would have purchased [Plaintiff's] patches were it not for Defendants' misleading and false advertising."<sup>1746</sup>

The court then turned its attention to the plaintiff's statutory standing under the *Lexmark* test. According to the defendants, the plaintiff did not lie within the zone of interests protected by Section 43(a) because the parties did not compete and because any injuries suffered by the plaintiff were caused by the existence of OTC

<sup>1742</sup> See *Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC*, 552 F. Supp. 3d 901 (N.D. Cal. 2021).

<sup>1743</sup> *Id.* at 911 (quoting *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 825 (9th Cir. 2011)).

<sup>1744</sup> *Id.*

<sup>1745</sup> *Id.* at 912 ("The fact that [Plaintiff] may have also lost profits as a result of other market forces or that Defendants' allegedly false advertising may have also caused other providers of prescription lidocaine patches to lose sales does not undermine [Plaintiff's] allegations that it lost profits because consumers bought Defendants' OTC patches instead of [Plaintiff's] patches because they were misled by Defendants' false advertising. Similarly, the fact that Defendants' patches were on the market and being advertised before [Plaintiff's patch] was approved by the FDA does not foreclose the possibility that Defendants' allegedly misleading advertisements caused consumers to buy Defendants' OTC products rather than [Plaintiff's] prescription patch when [Plaintiff's] patches became available.").

<sup>1746</sup> *Id.* at 913.

products generally, rather than the defendant's advertising. The court rejected that argument based on the allegations in the plaintiff's complaint: "[Plaintiff] has satisfied the requirements of statutory standing by adequately alleging that [Plaintiff] and Defendants are competitors, and that Defendants' allegedly false and misleading advertising caused consumers 'to withhold trade from the plaintiff,' causing [Plaintiff] economic injury in the form of lost sales."<sup>1747</sup>

In a *Lexmark*-less opinion, a different court confirmed that ownership of a federal registration is not a prerequisite for standing to prosecute an action for unfair competition under Section 43(a).<sup>1748</sup> It did so in a case in which the two plaintiffs were a licensor and a licensee of a group of allegedly infringed registered marks and in which the defendant challenged the licensee's standing to vindicate rights to the marks. In rejecting the defendant's apparent argument that the licensee's lack of a registered mark precluded it from asserting likely confusion under Section 43(a), the court held that "[a] non-registrant party, such as a distributor, can prove that it has standing under section 43(a) by showing that it has a valid commercial interest in the mark."<sup>1749</sup> Because the licensee claimed to be the principal distributor in the United States for the licensor's goods, as well as "the company hub for U.S. sales, brand marketing, product marketing, and licensing of and for . . . goods bearing the [allegedly infringed] Mark," it had standing under Section 43(a).<sup>1750</sup>

A separate opinion reaching a finding of standing in an infringement dispute also did so without reference to *Lexmark*.<sup>1751</sup> The litigation underlying that finding originated in a schism within a nonprofit organization that led to the parties using the same mark for the same services. Although the plaintiff's standing to assert a claim of likely confusion ordinarily might have been beyond dispute, the defendants improbably asserted that no standing existed because the plaintiff had not made a prefiling demand on the lead defendant's board of directors under Federal Rule of Civil Procedure 23.1.<sup>1752</sup> Properly holding Rule 23.1 applicable only in shareholder derivative suits on behalf of corporations, the court rejected that argument. It then held that the plaintiff's allegations of infringement adequately stated claims of actual damages and reputational injury.<sup>1753</sup>

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<sup>1747</sup> *Id.* at 914 (quoting *Lexmark*, 572 U.S. at 133).

<sup>1748</sup> *See adidas Am., Inc. v. Thom Browne Inc.*, 599 F. Supp. 3d 151 (S.D.N.Y. 2022).

<sup>1749</sup> *Id.* at 162.

<sup>1750</sup> *Id.*

<sup>1751</sup> *See Umuoji Improvement Union (N. Am.), Inc. v. Umuoji Improvement Union (N. Am.), Inc.*, 537 F. Supp. 3d 79 (D. Mass. 2021).

<sup>1752</sup> Fed. R. Civ. P. 23.1.

<sup>1753</sup> *Umuoji Improvement Union (N. Am.)*, 537 F. Supp. 3d at 89.

More than one reported opinion addressed the requirements for standing to prosecute persona-based claims, with plaintiffs generally coming out on top.<sup>1754</sup> For example, one defendant claimed that the plaintiff, a manufacturer of trading cards, lacked standing to prosecute its causes of action for infringement and counterfeiting because it lacked a federal registration.<sup>1755</sup> The meritless nature of that theory was apparent in the court's rejection of it: As the court noted, "Here, the [complaint] alleges that [Plaintiff] is the owner of the [pleaded] Trademarks and provides the specific USPTO registration number and provides two of the [Plaintiff's] trademark images."<sup>1756</sup> The court then dismissed the defendant's assertion that the plaintiff was without standing to assert a California right-of-publicity cause of action arising from the defendant's sale of cards featuring Michael Jordan's image because of the complaint's averments that Jordan had both assigned and licensed his persona-based rights to the plaintiff;<sup>1757</sup> the court did not clearly explain the precise nature of that conveyance, however.<sup>1758</sup>

A different right-of-publicity action, one brought under Nevada law, also presented an unsuccessful challenge to the plaintiffs' standing.<sup>1759</sup> That action arose from the defendant's alleged unauthorized use of the plaintiffs' names, images, and likenesses to market paid subscriptions to the defendant's database of school yearbooks. According to the defendant, the plaintiffs lacked standing because the yearbooks in which the plaintiffs appeared had been published before the defendant's use of them. The court rejected that argument by referring to the three elements of "[t]he irreducible constitutional minimum of standing," which it summarized in the following manner:

(1) The Plaintiff must have suffered an "injury-in-fact," which is a "concrete and particularized" invasion of a legally protected interest; (2) there must be a "causal connection" between the plaintiff's injury and the defendant's action; and

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<sup>1754</sup> See, e.g., *Bonilla v. Ancestry.com Operations Inc.*, 574 F. Supp. 3d 582, 590–91 (N.D. Ill. 2021) (holding allegations that defendant had used plaintiffs' identities to market paid background information on them sufficient to establish their standing under Illinois law); *Lukis v. Whitepages Inc.*, 549 F. Supp. 3d 798, 804–05 (N.D. Ill. 2021) (same).

<sup>1755</sup> See *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050 (S.D. Cal. 2021).

<sup>1756</sup> *Id.* at 1067.

<sup>1757</sup> *Id.* at 1068–69.

<sup>1758</sup> For an additional opinion reaching the same conclusion on virtually identical facts, albeit on a motion for judgment on the pleadings rather than one to dismiss for failure to state a claim, see *Upper Deck Co. v. Panini America, Inc.*, 533 F. Supp. 3d 956, 968 (S.D. Cal. 2021) (dismissing standing-based challenge to same plaintiff's standing to vindicate Michael Jordan's right of publicity).

<sup>1759</sup> See *Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).



(3) it must be “likely” that the plaintiffs’ injury will be “redressed by a favorable decision.”<sup>1760</sup>

With respect to the plaintiffs’ injury in fact, the court determined that the averments in the complaint “indicate that [Defendant] has used Plaintiffs’ likeness for commercial purposes, which suffices to establish injury in fact under the common law tort.”<sup>1761</sup> Moving onto the second and third prongs of the analysis, it then held that “[a] favorable ruling would redress the injury by compensating Plaintiffs for the use of their image in advertising and/or enjoining [Defendant’s] further use thereof.”<sup>1762</sup> “Thus,” it concluded, “Plaintiffs have standing to raise their right of publicity claim before this Court.”<sup>1763</sup>

A closely similar set of facts led to the same disposition in a different dispute.<sup>1764</sup> In that case, the defendant had aggregated information on numerous individuals and then used that of particular individuals in “teaser” advertising promoting subscriptions to its databases. Moving to dismiss a class-action suit accusing the defendant of violating the plaintiffs’ rights of publicity, the defendant argued the plaintiffs had adequately failed to allege an injury sufficient to establish their Article III standing. The court denied the motion, holding instead that:

The harms that the plaintiffs allege here are the sort of harms recognized as sufficiently concrete for judicial redress at common law. The plaintiffs allege that [the defendant] misappropriated their names, likenesses, and personas—a harm recognized at common law. They allege that [the defendant] unjustly profited from their intellectual property—a harm recognized at common law. They allege that [the defendant] infringed their right to control commercial use of their names and identities—a harm recognized at common law. And they allege that [the defendant’s] actions caused them emotional and mental harm—a harm recognized at common law.

As a result, these plaintiffs have adequately alleged that they were injured; that injury is sufficiently concrete for purposes of Article III standing.<sup>1765</sup>

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<sup>1760</sup> *Id.* at 1020 (quoting *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992)).

<sup>1761</sup> *Id.* at 1023.

<sup>1762</sup> *Id.*

<sup>1763</sup> *Id.*

<sup>1764</sup> See *Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. Jul. 8, 2022).

<sup>1765</sup> *Id.* at 898–90 (citations omitted).

### *b. Opinions Declining to Find Standing*

Although otherwise making the test for standing to assert claims of false advertising easier to satisfy, the *Lexmark* Court opined that “[a] consumer who is hoodwinked into purchasing a disappointing product may well have an injury-in-fact cognizable under Article III, but he cannot invoke the protection of the Lanham Act . . . . Even a business misled by a supplier into purchasing an inferior product is, like consumers generally, not under the Act’s aegis.”<sup>1766</sup> That language proved the downfall of a real-estate agent who sued a company (and its principal) in the business of referring users of its website to local agents to help them buy and sell property.<sup>1767</sup> After the resolution in the lead defendant’s favor of a dispute between the parties over a referral fee, the plaintiff asserted a claim for false advertising grounded in the theory that the lead defendant misrepresented the superiority of its services to divert consumers away from real-estate agents such as the plaintiff and into the lead defendant’s referral network. On the defendants’ motion to dismiss, the court found that the plaintiff’s allegations failed as a matter of law to establish his standing under the *Lexmark* test. For one thing, it determined, the plaintiff was better understood as the lead defendant’s customer than its competitor.<sup>1768</sup> And, for another, the plaintiff’s complaint failed to allege plausibly that the lead defendant was diverting business away from him; “[m]oreover,” the court continued, “even if Plaintiff plausibly alleged a commercial injury, he has not plausibly alleged a connection between that injury and the lead defendant’s advertising.”<sup>1769</sup> The plaintiff therefore lacked standing as a matter of law.

A separate plaintiff failing to establish its standing to prosecute a false advertising action under the *Lexmark* test was an activist group seeking to warn the general public about the perceived dangers of such aspects of modern life as vaccines, environmental toxins, and 5G and wireless technology.<sup>1770</sup> In pursuit of that goal, it established a Facebook page but then objected to Facebook’s labeling of certain of its claims as “false” and “misleading.” The plaintiff therefore filed suit against Facebook, its principal, and two cite-checking organizations working with Facebook. The plaintiff accused the defendants of a wide range of torts, including false advertising, but its cause of action under Section 43(a) failed to

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<sup>1766</sup> 572 U.S. at 132.

<sup>1767</sup> See *Lewis v. Acuity Real Est. Servs., LLC*, 597 F. Supp. 3d 1154 (E.D. Mich. 2022), *appeal docketed*, No. 22-1406 (6th Cir. May 6, 2022).

<sup>1768</sup> *Id.* at 1159.

<sup>1769</sup> *Id.*

<sup>1770</sup> See *Children’s Health Def. v. Facebook Inc.*, 546 F. Supp. 3d 909 (N.D. Cal. 2021), *appeal docketed*, No. 21-16210 (9th Cir. Jul. 21, 2021).

make it past the pleadings stage under an application of the *Lexmark* test for standing. According to the court:

“[T]o come within the zone of interests in a suit for false advertising under § 1125(a), a plaintiff must allege an injury to a commercial interest in reputation or sales.” “Conduct that is not commercial, and does not involve the sale of goods and services, is outside the ‘dangers that the Lanham Act was designed to address,’ and consequently not actionable under Section 43(a).”<sup>1771</sup>

The plaintiff gamely argued that “Defendants were seeking to influence consumers to buy the goods and/or services of Facebook’s fact-checking partners,”<sup>1772</sup> but the court rejected that contention. Instead, it held, the parties’ dispute focused on information, rather than goods or services. Concluding that “[t]he mere fact that the parties may compete in the *marketplace of ideas* is not sufficient to invoke the Lanham Act,”<sup>1773</sup> it dismissed the plaintiff’s case for want of standing.

Outside the context of false advertising actions, one opinion dismissing a cause of action for want of standing turned on the language of Section 32, whose language is on its face limited to “registrant[s],”<sup>1774</sup> and Section 43(c), which allows the “owner[s]” of famous marks to assert a cause of action for likely dilution.<sup>1775</sup> When a mere licensee invoked Section 32 in its complaint, the defendant accused of violating that section predictably—and successfully—pursued the dismissal of the plaintiff’s two Section 32-based causes of action.<sup>1776</sup> Lacking controlling guidance from the Ninth Circuit, the California federal district court hearing the case held that “the prevailing approach by district courts in this circuit has been to hold ‘that standing may exist where the licensing agreement both [1] grants an exclusive license and [2] grants to the exclusive licensee a property interest in the trademark, or rights that amount to those of an assignee.’”<sup>1777</sup> Because the license at issue neither was exclusive nor granted rights equivalent to those under an assignment, the defendant’s motion for judgment on the pleadings

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<sup>1771</sup> See *id.* at 935 (alteration in original) (first quoting *Lexmark*, 572 U.S. at 131–32; and then quoting *Maffick LLC v. Facebook, Inc.*, No. 20-cv-05222-JD, 2021 WL 1893074, at \*3 (N.D. Cal. May 11, 2021)).

<sup>1772</sup> *Id.*

<sup>1773</sup> *Id.* at 936 (quoting *Farah v. Esquire Mag.*, 736 F.3d 528, 541 (D.C. Cir. 2013)).

<sup>1774</sup> 15 U.S.C. § 1114(1) (2018).

<sup>1775</sup> *Id.* § 1125(c)(3).

<sup>1776</sup> See *Upper Deck Co. v. Panini Am., Inc.*, 533 F. Supp. 3d 956 (S.D. Cal. 2021).

<sup>1777</sup> *Id.* at 962 (alterations in original) (quoting *Halcyon Horizons, Inc. v. Delphi Behavioral Health Grp.*, No. 17-cv-00756-JST, 2017 WL 1956997, at \*3 (N.D. Cal. May 11, 2017)).

was meritorious, at least with respect to the plaintiff's Section 32 and Section 43(c) causes of action.<sup>1778</sup>

### *c. Opinions Deferring Resolution of the Standing Inquiry*

A case brought by a licensee of Michael Jordan's right of publicity led the court to defer ruling definitively on the issue in favor of considering extrinsic evidence later.<sup>1779</sup> The opinion arising from a standing-based motion for judgment on the pleadings described the contract between Jordan and the plaintiff as a straightforward right-of-publicity license, albeit one that did not expressly identify the primary jersey number—23—under which Jordan had played basketball and in which the plaintiff claimed a protectable interest. There were no references to the number in the plaintiff's license, which led the defendant to argue in a motion for judgment on the pleadings that the plaintiff lacked standing to enforce the rights to the number. The court expressed reservations about whether “a license to Jordan's ‘likeness’ extends to Jordan's jersey number ‘23’ and whether a license to Jordan's ‘name’ equates to a license to his trademark.”<sup>1780</sup> It nevertheless held the issue inappropriately resolved on the defendant's motion, choosing instead to revisit it with the benefit of extrinsic evidence.<sup>1781</sup>

## 4. Personal Jurisdiction

Inquiries into whether particular courts could properly exercise personal jurisdiction over particular defendants generally followed a multistep process.<sup>1782</sup> The first step examined whether either the defendant itself or its conduct fell within the scope of the forum's long-arm statute, while the second part turned on whether an exercise of jurisdiction will satisfy the requirements of due process

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<sup>1778</sup> *Id.* at 965.

<sup>1779</sup> *See id.* at 961.

<sup>1780</sup> *Id.* at 962.

<sup>1781</sup> *Id.*

<sup>1782</sup> *See generally* *Motus, LLC v. CarData Consultants, Inc.*, 23 F.4th 115, 122 (1st Cir. 2022) (“To establish the existence of in personam jurisdiction, a plaintiff who seeks to hale a defendant into court in a particular forum not only must comply with the forum's long-arm statute but also must show that exercising such jurisdiction will comport with the requirements of due process.”); *accord* *PeopleShare, LLC v. Vogler*, 601 F. Supp. 3d 1276, 1280 (S.D. Fla. 2022); *Epic Games, Inc. v. Shenzhen Tairuo Tech. Co.*, 593 F. Supp. 3d 233, 238 (E.D.N.C. 2022); *WAKE 10, LLC v. McNaughton, Inc.*, 588 F. Supp. 3d 1231, 1235 (D. Kan. 2022); *Sensitech Inc. v. LimeStone FZE*, 548 F. Supp. 3d 244, 253 (D. Mass. 2021), *appeal dismissed sub nom.* *Sensitech, Inc. v. Alwash*, No. 21-1552, 2021 WL 9167828 (1st Cir. Oct. 18, 2021), *and reconsideration denied*, 581 F. Supp. 3d 342 (D. Mass. 2022); *Lavazza Premium Coffees Corp. v. Prime Line Distribs. Inc.*, 575 F. Supp. 3d 445, 462–63 (S.D.N.Y. 2021).

contemplated by the Fifth and Fourteenth Amendments.<sup>1783</sup> If the reach of the applicable long-arm statute was coextensive with due process or if the defendant failed to dispute that reach, only the second inquiry was necessary.<sup>1784</sup>

Within the context of that inquiry, courts recognized two ways in which defendants could be haled into court in a manner consistent with due process, with the Ninth Circuit explaining that “[a] defendant’s minimum contacts can give rise to either general or specific jurisdiction.”<sup>1785</sup> Because the Supreme Court has narrowed exercises of general jurisdictions to venues in which defendants are either incorporated or have their principal places of business,<sup>1786</sup> most disputes over personal jurisdiction focused on whether due process allowed an exercise of specific jurisdiction. That inquiry typically had three subparts: (1) whether the defendant purposefully availed itself of the privilege of doing business in the forum or directed its conduct toward the forum; (2) whether the plaintiff’s causes of action arose from or related to defendant’s conduct in the forum; and (3) whether the exercise of personal jurisdiction over the defendant would be reasonable.<sup>1787</sup> If the plaintiff established the first two of those factors, the burden shifted to the defendant to demonstrate the third.<sup>1788</sup>

Finally, those plaintiffs unable to meet the requirements of a state long-arm statute could try their luck under Rule of Civil Procedure 4(k)(2).<sup>1789</sup> That rule provides that:

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<sup>1783</sup> U.S. Const. amend. V; U.S. Const. amend. XIV, § 1.

<sup>1784</sup> See *Motus*, 23 F.4th at 122 (proceeding directly to constitutional analysis in light of defendant’s apparent failure to contest applicability of Massachusetts long-arm statute, Mass. Gen. Laws ch. 223A, § 3); *NBA Props., Inc. v. HANWJH*, 46 F.4th 614, 620 (7th Cir. 2022) (Illinois long-arm statute, 735 Ill. Comp. Stat. § 5/2-290(c), coextensive with due process), *cert. denied*, 143 S. Ct. 577 (2023); *Epic Games*, 593 F. Supp. 3d at 238 (North Carolina long-arm statute, N.C. Gen. Stat. § 1-75.4(1), coextensive with due process); *WAKE 10*, 588 F. Supp. 3d at 1235 (Kansas long-arm statute, Kan. Stat. Ann. § 60-308, coextensive with due process); *Corker v. Costco Wholesale Corp.*, 585 F. Supp. 3d 1284, 1290 (W.D. Wash. 2022) (Washington long-arm statute, Wash. Rev. Code § 4.28.185, coextensive with due process). *But see Sensitech*, 548 F. Supp. 3d at 253 (suggesting that reach of Massachusetts long-arm statute not coextensive with due process).

<sup>1785</sup> *Ayla, LLC v. Alya Skin Pty. Ltd.*, 11 F.4th 972, 979 (9th Cir. 2021); *see also Corker*, 585 F. Supp. 3d at 1290.

<sup>1786</sup> See *Daimler AG v. Bauman*, 571 U.S. 117, 137 (2014).

<sup>1787</sup> See *Ayla*, 11 F.4th at 989; *NBA Props.*, 46 F.4th at 623; *Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008, 1023–24 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022); *Corker*, 585 F. Supp. 3d at 1290; *NOCO Co. v. Shenzhen Valuelink E-Com. Co.*, 550 F. Supp. 3d 488, 495 (N.D. Ohio 2021).

<sup>1788</sup> See *Ayla*, 11 F.4th at 989; *Sessa*, 561 F. Supp. 3d at 1023; *Corker*, 585 F. Supp. 3d at 1290.

<sup>1789</sup> Fed. R. Civ. P. 4(k)(2).

For a claim that arises under federal law, serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant if:

(A) the defendant is not subject to jurisdiction in any state's courts of general jurisdiction; and

(B) exercising jurisdiction is consistent with the United States Constitution and laws.<sup>1790</sup>

According to the Ninth Circuit, the due process analysis under Rule 4(k)(2) “is nearly identical to traditional personal jurisdiction analysis . . . [but] rather than considering contacts between [the defendant] and the forum state, we consider contacts with the nation as a whole.”<sup>1791</sup>

### *a. Opinions Exercising Personal Jurisdiction*

A number of reported opinions found the exercise of specific personal jurisdiction over nonresident defendants appropriate by applying the standard doctrinal framework. For example, the Seventh Circuit affirmed an exercise of specific personal jurisdiction in Illinois over a nonresident defendant that had shipped a pair of athletic shorts bearing counterfeit imitations of the plaintiffs' marks into that state.<sup>1792</sup> The defendant stridently contested the district court's holding that the shipment and the accessibility of the defendant's website in Illinois constituted the required minimum contacts with the state, especially because the shipment had been engineered by the plaintiffs' counsel, the defendant had never made another one to Illinois, and the defendant had no offices, employees, property, bank accounts “or any other commercial dealings with Illinois.”<sup>1793</sup> Rejecting the proposition “that multiple online sales, as opposed to a single online sale, are required to establish a sufficient basis for personal jurisdiction,”<sup>1794</sup> the court noted that the defendant had “established an online store [with] Amazon.com. Through this online store, it unequivocally asserted a willingness to ship goods to Illinois and established the capacity to do so. When an order was placed, it filled the order, intentionally shipping an infringing product to the customer's designated Illinois address.”<sup>1795</sup> With the purposeful-availing inquiry having been resolved in the plaintiffs' favor, and the defendant not arguing that the litigation

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<sup>1790</sup> *Id.*

<sup>1791</sup> *Ayla*, 11 F.4th at 978–79 (alterations in original) (quoting *Holland Am. Line Inc. v. Wärtsilä N. Am., Inc.*, 485 F.3d 450, 462 (9th Cir. 2007)).

<sup>1792</sup> *See NBA Props., Inc. v. HANWJH*, 46 F.4th 614 (7th Cir. 2022), *cert. denied*, 143 S. Ct. 577 (2023).

<sup>1793</sup> *Id.* at 617–18.

<sup>1794</sup> *Id.* at 625.

<sup>1795</sup> *Id.* at 624.

was unrelated to its activities in Illinois, the court made short work of the defendant's argument that haling it into court in Illinois was constitutionally unreasonable, especially because the defendant did not allege that defending itself there would be unusually burdensome.<sup>1796</sup>

In a somewhat less conventional action brought in part under the Illinois right of publicity statute,<sup>1797</sup> the genealogy company Ancestry.com failed to escape an exercise of specific personal jurisdiction by a federal district court in that state.<sup>1798</sup> The complaint accused Ancestry of having used the plaintiff's name, photograph, image, and likeness to market Ancestry's digital databases of personal information, which were bankrolled in part by donations from Illinois residents. Noting the plaintiff's further allegations that Ancestry regularly advertised to denizens of the state, promoted its subscription services in Illinois libraries, and utilized video advertisements (presumably also directed toward the state), the court held that Ancestry's conduct qualified "as intentional contacts with the forum state sufficient to determine purposeful direction."<sup>1799</sup> That was especially true because Ancestry had targeted suspected relatives of the plaintiff in its advertising and despite the apparently undisputed fact that Ancestry had secured the plaintiff's information from a high-school yearbook originally published in Nebraska.<sup>1800</sup>

In a closely similar case, also against Ancestry, a Nevada federal district court held that a group of plaintiffs residing in that state could challenge Ancestry's harvesting the plaintiffs' names, images, likenesses, and personal information from circa-1900-99 Nevada school yearbooks and then using them to market Ancestry's database of yearbooks.<sup>1801</sup> Much of the opinion denying Ancestry's motion to dismiss focused on the question of whether Ancestry had expressly aimed its conduct at Nevada residents so as to purposefully avail itself of the privilege of doing business there. The court held that question governed by the tripartite test first articulated by the Supreme Court in *Calder v. Jones*,<sup>1802</sup> namely, whether Ancestry had: (1) committed an intentional act; (2) expressly aimed at Nevada; and (3) with knowledge that act

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<sup>1796</sup> *Id.* at 627.

<sup>1797</sup> 765 Ill. Comp. Stat. 1075/30(a).

<sup>1798</sup> *See Bonilla v. Ancestry.com Operations Inc.*, 574 F. Supp. 3d 582 (N.D. Ill. 2021).

<sup>1799</sup> *Id.* at 589.

<sup>1800</sup> *Id.* at 590.

<sup>1801</sup> *See Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).

<sup>1802</sup> 465 U.S. 783 (1984).

would cause harm in Nevada.<sup>1803</sup> As the court summarized its position, Ancestry argued that “given that persons who attended school in Nevada from 1900–1999 could now reside anywhere in the world, . . . it cannot be charged with knowledge that it aimed its activities at Nevada.”<sup>1804</sup> The court disagreed:

Plaintiffs allege that Ancestry’s database includes 1.7 million individual records from yearbooks of Nevada schools. Even if a substantial percentage of the individuals in Ancestry’s database have moved from the state, it strains credulity that Ancestry would not know that, by creating a commercial database of many millions of Americans, over one million of whom went to school in Nevada, a substantial market for the database would be persons residing in Nevada. Ancestry has sought to build a Database with nationwide appeal by allegedly collecting as many yearbooks as possible from across the country. Ancestry intentionally targeted all fifty states in doing so. Even if it does not have actual knowledge of the persons in its database who live in Nevada, Ancestry has targeted the Nevada market by appropriating the names, images, and likenesses of over one million Nevadans in its drive to create a nationwide database.<sup>1805</sup>

The court then proceeded from that conclusion to concomitant determinations that the plaintiffs had sufficiently alleged a likelihood of harm in the state and that that harm was related to their cause of action.<sup>1806</sup>

Additional exercises of specific personal jurisdiction came in an action before a New York federal district court brought by a pair of plaintiffs against a Florida-based defendant.<sup>1807</sup> The lead plaintiff successfully availed itself of a forum-selection clause in an agreement between it and the defendant in which the defendant agreed to an exercise of personal jurisdiction in New York. “Given Defendant’s concession that the forum-selection clause was communicated to it and was mandatory,” the court concluded, “as well as its decision not to object to the application of the clause to [the Lead Plaintiff’s] claims, the Court finds that the forum-selection clause is presumptively enforceable.”<sup>1808</sup>

Unfortunately for the second plaintiff, it was not a party to the forum-selection clause, and the court found that the connection

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<sup>1803</sup> *Sessa*, 561 F. Supp. 3d at 1024.

<sup>1804</sup> *Id.* at 1025–26.

<sup>1805</sup> *Id.* at 1026 (citations omitted).

<sup>1806</sup> *Id.*

<sup>1807</sup> *See Lavazza Premium Coffees Corp. v. Prime Line Distribs. Inc.*, 575 F. Supp. 3d 445 (S.D.N.Y. 2021).

<sup>1808</sup> *Id.* at 459.



between the two plaintiffs was not so close as to fall within the “limited set of circumstances” that might allow the second plaintiff to benefit from the forum-selection clause.<sup>1809</sup> Nevertheless, the court still found the defendant subject to an exercise of jurisdiction with respect to the second plaintiff’s claims under a traditional analysis. The court reached that conclusion for various reasons, including “numerous intrastate business activities in New York” by the defendant in connection with the agreement,<sup>1810</sup> which was well beyond the “single act” required by the state long-arm statute.<sup>1811</sup> Moreover, and leaving aside the forum-selection clause, the second plaintiff and the defendant otherwise had a contractual relationship directly related to the second plaintiff’s claims: “Although [the Second Plaintiff] brings its claims under the Lanham Act rather than the Agreement, its claims are inextricably linked to Defendant’s performance of the Agreement, including its sale of . . . coffee products and its distribution of . . . coffee cups and other equipment bearing [the Second Plaintiff’s] trademarks.”<sup>1812</sup> Coupled with the fact that the defendant would be haled into court in New York to defend against the lead plaintiff’s claims, those considerations also rendered an exercise of personal jurisdiction consistent with due process.<sup>1813</sup>

An exercise of specific personal jurisdiction similarly held in litigation in Washington state originally brought against a limited liability company but to which that defendant’s Florida-domiciled principal was added as a defendant in an amended complaint.<sup>1814</sup> The new individual defendant moved to dismiss the allegations against him, only to have the court deny his motion. It credited the plaintiffs’ allegations that the individual defendant was the company’s president and sole owner, had sole power over its decisions, and allowed his signature to appear on the packaging of the company’s goods; those considerations, the court held, sufficed to trigger the rule that “a corporate officer’s contact on behalf of a corporation is sufficient to subject the officer to personal jurisdiction where the officer ‘is a primary participant in the alleged wrongdoing or had control of, and direct participation in the alleged activities.’”<sup>1815</sup> From there, the court found that the individual defendant had purposefully directed his conduct toward Washington through his company’s shipments of goods into the

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<sup>1809</sup> *Id.* at 460.

<sup>1810</sup> *Id.* at 462.

<sup>1811</sup> *Id.* at 463 (citing N.Y. C.P.L.R. § 302(a)(1)).

<sup>1812</sup> *Id.*

<sup>1813</sup> *Id.* at 465.

<sup>1814</sup> *See* *Corker v. Costco Wholesale Corp.*, 585 F. Supp. 3d 1284 (W.D. Wash. 2022).

<sup>1815</sup> *Id.* at 1291 (quoting *Allstar Mktg. Grp., LLC v. Your Store Online, LLC*, 666 F. Supp. 2d 1109, 1120 (C.D. Cal. 2009)).

state and therefore had known harm from those shipments would be incurred there. Because the lawsuit challenged the packaging of those goods, the plaintiff's claims arose from the individual defendant's forum-related activities, therefore satisfying that requirement for an exercise of jurisdiction. Finally, based in substantial part on the individual defendant's participation in the case to date, the court found that he had not carried his burden of proving that an exercise of jurisdiction would be constitutionally unreasonable.<sup>1816</sup>

Finally, the Ninth Circuit often has been unsympathetic to plaintiffs seeking to hale defendants outside the United States into court in states within the circuit, but it reversed the dismissal of an action in which the owner of a beauty and wellness business relied on Rule 4(k)(2) to get the job done.<sup>1817</sup> The defendant was an Australian business that, although shipping goods on a worldwide basis, averred in support of its initially successful motion to dismiss that it had no retail stores, offices or branches, officers, directors, or employees, bank accounts, or real property in the United States. The defendant also only claimed 10% of its sales were in the United States and a miniscule 2% of them were in the forum state of California. Finally, it argued, it did not direct its advertising toward California. Those averments were countered by showings by the plaintiff that the defendant had applied to register its mark with the USPTO, represented to consumers that the FDA had approved its goods, targeted consumers it identified as "USA BABES," advertised "Black Friday" sales, listed United States dollars as the default currency on its website, advertised "two- to four-day delivery to the United States," and fulfilled orders using an Idaho-based third party.<sup>1818</sup>

On those facts, the Ninth Circuit reversed the district court's dismissal of the case. Tracking the language of Rule 4(k)(2) closely, it held that "[p]ersonal jurisdiction is proper . . . when (1) the action arises under federal law, (2) 'the defendant is not subject to jurisdiction in any state's courts of general jurisdiction,' and (3) the court's exercise of jurisdiction comports with due process."<sup>1819</sup> The defendant contested only the third of those requirements, claiming in part that it had not purposefully availed itself of United States law. The court addressed that claim under the *Calder* test, of which it observed that:

Express aiming requires more than the defendant's awareness that the plaintiff it is alleged to have harmed resides in or has strong ties to the forum, because "the

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<sup>1816</sup> *Id.* at 1293–97.

<sup>1817</sup> *See* *Ayla, LLC v. Alya Skin Pty. Ltd.*, 11 F.4th 972 (9th Cir. 2021).

<sup>1818</sup> *Id.* at 978.

<sup>1819</sup> *Id.* (quoting Fed. R. Civ. P. 4(k)(2)).

plaintiff cannot be the only link between the defendant and the forum.” “[S]omething more—conduct directly targeting the forum”—is required to confer personal jurisdiction.<sup>1820</sup>

In its subsequent application of that test, the court faulted the district court’s failure to accord proper weight to the defendant’s “USA BABES” and “Black Friday” advertising, which the court of appeals interpreted as advertising explicitly aimed at United States consumers: “That [the defendant] may have addressed much of its advertising to an international or Australian audience,” the court observed, “does not alter the jurisdictional effect of marketing targeted specifically at the United States, the relevant forum.”<sup>1821</sup> The volume of the defendant’s sales in the United States also did not help its case, especially because the defendant offered its goods “directly for sale to the United States on its website.”<sup>1822</sup> Likewise, “[the defendant’s] purported FDA approval supports the conclusion that the defendant sought out the benefits afforded by this country’s regulatory regime” because “[o]btaining and advertising approval by the FDA, a United States regulatory agency, is an appeal specifically to American consumers for whom the acronym ‘FDA’ has meaning.”<sup>1823</sup> Finally, the court noted, “[the defendant] contracts with a fulfilment center located in Idaho to ship its products throughout the United States and elsewhere,”<sup>1824</sup> which meant that “[w]hen a defendant corporation chooses to associate itself with a forum through a contractual relationship that ‘envision[s] continuing and wide-reaching contacts,’ the defendant purposefully avails itself of the forum and satisfies minimum contacts.”<sup>1825</sup> The plaintiff therefore had established the required “something more.”

The defendant did not fare any better on the issue of whether the plaintiff’s infringement claims arose out of or resulted from the defendant’s activities in the United States. The court framed its analysis of that issue by observing that “[the plaintiff] challenges [the defendant’s] promotion, sale, and distribution of beauty products bearing the [defendant’s] mark on the ground that this mark is confusingly similar to [the plaintiff’s] own trademark.”<sup>1826</sup> It then invoked many of the same considerations underlying its conclusion that the plaintiff had purposefully availed itself of

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<sup>1820</sup> *Id.* at 980 (second alteration in original) (first quoting *Axiom Foods, Inc. v. Acerchem Int’l, Inc.*, 874 F.3d 1064, 1069 (9th Cir. 2017); then quoting *Walden v. Fiore*, 571 U.S. 277, 285 (2014); and then quoting *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1229 (9th Cir. 2011)).

<sup>1821</sup> *Id.* at 981.

<sup>1822</sup> *Id.*

<sup>1823</sup> *Id.* at 982.

<sup>1824</sup> *Id.*

<sup>1825</sup> *Id.* (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 480 (1985)).

<sup>1826</sup> *Id.* at 983.

United States law, including the defendant's advertising toward, and sales in, the United States, the volume of those sales, and the defendant's Idaho fulfillment center. "Each of these contacts," the court held, "relate to [the plaintiff's] claims because they are part of [the defendant's] attempts to serve and attract customers in the United States market, which caused [the plaintiff's] injuries in the United States. Thus, [the plaintiff's] claims arise out of [the defendant's] contacts with the United States."<sup>1827</sup>

With the two factors of the due process inquiry satisfied, the court turned to whether the defendant had carried its burden on the third, which was whether an exercise of jurisdiction would be constitutionally unreasonable. The court held that question governed by the following seven factors:

- (1) the extent of the defendant's purposeful interjection into the forum state's affairs; (2) the burden on the defendant of defending in the forum; (3) the extent of conflict with the sovereignty of the defendant's state; (4) the forum state's interest in adjudicating the dispute; (5) the most efficient judicial resolution of the controversy; (6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and (7) the existence of an alternative forum.<sup>1828</sup>

Once again, the extent of the defendant's "substantial" activities in the United States paid dividends to the plaintiff under the first of those factors;<sup>1829</sup> similarly, its "extensive contacts with the United States" meant that "[the defendant's] argument that it would suffer financial hardship and be unduly burdened because its cofounders would have to travel to the United States for court appearances is entitled to little weight."<sup>1830</sup> With the plaintiff having asserted claims under United States and California law, the fourth, fifth, and sixth factors also favored an exercise of personal jurisdiction, leaving the defendant only with the unconvincing arguments that haling it into court in California would conflict with Australia sovereignty and that Australian courts were equally available to entertain the parties' dispute.<sup>1831</sup> The district court therefore had erred in granting the defendant's motion to dismiss.

Consistent with that outcome, multiple shipments into Ohio of goods bearing allegedly unlawful copies of a plaintiff's mark supported an exercise of specific personal jurisdiction over the California- and China-based defendants who initially had

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<sup>1827</sup> *Id.*

<sup>1828</sup> *Id.* at 984 (quoting *Freestream Aircraft (Berm.) Ltd. v. Aero L. Grp.*, 905 F.3d 597, 607 (9th Cir. 2018)).

<sup>1829</sup> *Id.*

<sup>1830</sup> *Id.*

<sup>1831</sup> *Id.*

introduced the goods into the stream of commerce.<sup>1832</sup> The defendants argued they were immune from such an exercise because they had merely delivered the goods in question to Amazon, which had made the actual shipments. The court was unconvinced, and it denied the defendants' motions to dismiss as a consequence, in the process holding that the defendants had purposefully availed themselves of the privilege of doing business in Ohio despite using Amazon as an intermediary. Because it was not constitutionally impermissible to hale the defendants into court in Ohio (with respect to the California-based defendant) or the United States generally (with respect to the China-based defendants), they fell within the scope of the Ohio long-arm statute<sup>1833</sup> and Rule 4(k)(2), respectively.<sup>1834</sup>

### ***b. Opinions Declining to Exercise Personal Jurisdiction***

With one exception, reported opinions dismissing actions for want of personal jurisdiction did not break new ground. The exception came in a case brought by the licensing agents of a musical group, the latter of which was slated to begin a tour at a Las Vegas stadium.<sup>1835</sup> In anticipation of the trafficking of collateral goods bearing counterfeit imitations of the band's marks, the plaintiffs sought an ex parte order allowing the seizure of those goods from defendants styled as "John Does 1-100" within a five-mile radius of the stadium. Although the plaintiffs' moving papers apparently were otherwise in order, the court was concerned by the plaintiffs' failure to identify the targeted defendants by name. Eschewing the usual test for evaluating the propriety of an exercise of personal jurisdiction, the court declined to enter requested relief because:

[I]t is hornbook law that a federal court must have personal jurisdiction over a defendant before it can entertain an action against that defendant. "[A] court does not have the power to order injunctive relief against a person over whom the court has not [acquired] in personam jurisdiction" or "to enjoin the behavior of the world at large." Finally, "[a]s a general rule, the use of 'John Doe' to identify a defendant is not favored." Without any identified defendants, it is impossible . . . to

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<sup>1832</sup> See *NOCO Co. v. Shenzhen Valuelink E-Com. Co.*, 550 F. Supp. 3d 488 (N.D. Ohio 2021).

<sup>1833</sup> Ohio Rev. Code § 2307.382.

<sup>1834</sup> *NOCO*, 550 F. Supp. 3d at 499.

<sup>1835</sup> *Hybe Co. v. Does 1–100*, 598 F. Supp. 3d 1005 (D. Nev. 2022).

determine whether this court has personal jurisdiction over those who may intend to infringe plaintiffs' marks.<sup>1836</sup>

Outside the context of litigation against anonymous defendants, an individual defendant domiciled in the Netherlands successfully escaped an exercise of specific personal jurisdiction in Massachusetts despite his status as managing director of a company that indisputably was subject to such an exercise.<sup>1837</sup> The court's evaluation of that defendant's motion to dismiss began in promising fashion for him in light of the court's that "an individual's status as a corporate officer is insufficient to establish the minimum contacts required to subject him or her to personal jurisdiction in a foreign forum" and "more than mere participation' in the affairs of the corporation is required."<sup>1838</sup> The individual defendant had executed a contract with the plaintiff with a forum-selection clause referencing Massachusetts, but, finding that he had done so in his capacity as a corporate office, the court declined to give the clause weight.<sup>1839</sup> With the plaintiff apparently not contesting the individual defendant's showings that he had neither been to Massachusetts nor conducted any business there,<sup>1840</sup> he was not subject to being haled into court in the state to answer the plaintiff's allegations of false advertising.

In litigation presenting more conventional facts, the Fifth Circuit added to the increasingly tall pile of reported opinions holding that the accessibility of a defendant's website in a forum will not necessarily result in an exercise of personal jurisdiction in that forum.<sup>1841</sup> The appeal producing that outcome was from the dismissal by a Louisiana federal district court of claims of infringement and unfair competition against a Wisconsin company operating a site at which goods bearing its allegedly infringing mark could be purchased, including by Louisiana residents. The website could not be considered a passive one, in part because of that functionality but also because it allowed consumers to set up accounts with the defendant and to post product reviews. Nevertheless, the court concluded that:

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<sup>1836</sup> *Id.* at 1007–08 (footnotes omitted) (second, third, and fourth alterations in original) (first quoting *Joel v. Various John Does*, 499 F. Supp. 791, 792 (E.D. Wis. 1980); then quoting *Gillespie v. Civiletti*, 629 F.2d 637, 642 (9th Cir. 1980)).

<sup>1837</sup> *See Sensitech Inc. v. LimeStone FZE*, 548 F. Supp. 3d 244 (D. Mass. 2021), *appeal dismissed sub nom.* *Sensitech, Inc. v. Alwash*, No. 21-1552, 2021 WL 9167828 (1st Cir. Oct. 18, 2021), and *reconsideration denied*, 581 F. Supp. 3d 342 (D. Mass. 2022).

<sup>1838</sup> *Id.* at 254 (quoting *M-R Logistics, LLC v. Riverside Rail, LLC*, 537 F. Supp. 2d 269, 280 (D. Mass. 2008)).

<sup>1839</sup> *Id.* at 255.

<sup>1840</sup> *Id.* at 254.

<sup>1841</sup> *See Admar Int'l, Inc. v. Eastrock, L.L.C.*, 18 F.4th 783 (5th Cir. 2021).

[A] defendant does not have sufficient minimum contacts with a forum state just because its website is accessible there. The defendant must also target the forum state by purposefully availing itself of the opportunity to do business in that state. And here, there is no evidence that [the defendant] targets Louisiana: [the [plaintiff] has not sold a single accused product to a Louisiana resident, and it solicits no business there through targeted advertising. That ends this case.<sup>1842</sup>

A Florida federal court also got into the act.<sup>1843</sup> The defendants before it were based in Arizona (although one was a Delaware corporation), and the plaintiff was improbably domiciled in Pennsylvania. Not surprisingly, the plaintiff's claims to have been injured in Florida faced an unreceptive judicial audience, especially in light of the defendants' proffer of undisputed testimony that they had "never dome [sic] business with any Florida resident, sold a product or service to any resident of Florida, or engaged in targeted advertising or promotion of its products or services to Florida or residents of Florida."<sup>1844</sup> It might be true, as the plaintiff alleged, that the defendants' website was accessible in Florida and offered a downloadable app, but the plaintiff had submitted "no proof that the app was actually downloaded by a customer in Florida."<sup>1845</sup> The court therefore granted the defendants' motion to dismiss with the concluding observation that "Plaintiff therefore has failed to demonstrate a nexus between Defendants' activities and an injury suffered in Florida, such that an exercise of specific jurisdiction under Florida's long-arm statute would be proper in this case."<sup>1846</sup>

An injury allegedly suffered in Kansas also failed to warrant an exercise of specific personal jurisdiction over the Minnesota-based defendants causing it.<sup>1847</sup> According to the plaintiffs, the principal of the lead defendant (himself named as a defendant) had purchased through Amazon a product manufactured by the Kansas-based plaintiffs and then posted three false reviews of the product's performance. In granting the defendants' motion to dismiss, the court held that the purchase and posting of the reviews failed to qualify as purposefully directed conduct toward Kansas under the *Calder* test. With respect to the purchase, the court found it significant that the individual defendant had not received the product at issue directly from the plaintiff; instead, Amazon had

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<sup>1842</sup> *Id.* at 787.

<sup>1843</sup> *See* PeopleShare, LLC v. Vogler, 601 F. Supp. 3d 1276 (S.D. Fla. 2022).

<sup>1844</sup> *Id.* at 1284.

<sup>1845</sup> *Id.*

<sup>1846</sup> *Id.* at 1825.

<sup>1847</sup> *See* WAKE 10, LLC v. McNaughton, Inc., 588 F. Supp. 3d 1231 (D. Kan. 2022).

served as an intervening shipper. Then, with respect to the reviews, it held that:

Plaintiffs do not assert that Amazon.com is geographically limited to Kansas or its residents. Rather, Amazon.com is a geographically-neutral forum that is accessible and presumably intended to reach, at a minimum, a nationwide audience. Turning to the negative reviews, the court finds that they are geographically neutral and not focused or directed at Kansas or its residents. . . . None of the comments make any reference to Kansas or the fact that the manufacturer is located in Kansas.<sup>1848</sup>

The defendants' motion to dismiss therefore was meritorious.

The First Circuit also weighed in on the issue of website accessibility in an opinion that similarly reached the usual result.<sup>1849</sup> It did so in a case in which the plaintiff sued in Massachusetts federal district court an Ontario-based defendant with offices in New York and Colorado. The defendant did not contest the applicability of the state long-arm statute, so the court launched directly into analyzing whether the defendant's operation of a nationally accessible website in and of itself mandated a reversal of the district court's dismissal of the action below. The court concluded it did not:

The mere availability of a primarily informational website is not enough—by itself—to render a defendant susceptible to jurisdiction in a particular forum. “Otherwise, the universality of websites in the modern world would overwhelm constitutional limitations” and render website operators amenable to suit anywhere within the vast reach of the internet.”<sup>1850</sup>

Because nothing in the record suggested that “even a single Massachusetts resident” had accepted the website's invitation to contact the defendant and because the defendant had not intentionally targeted the plaintiff in Massachusetts, an exercise of personal jurisdiction under the traditional analysis was constitutionally impermissible.<sup>1851</sup>

Nevertheless, the court noted, the plaintiff had “another arrow in its quiver,” which was Rule 4(k)(2). Subject to a threshold requirement that ultimately resolved the matter, the court required the plaintiff to demonstrate that: (1) the plaintiff's claims arose under federal law; (2) personal jurisdiction was unavailable under any situation-specific federal statute; and (3) the defendant's

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<sup>1848</sup> *Id.* at 1138.

<sup>1849</sup> *See* *Motus, LLC v. CarData Consultants, Inc.*, 23 F.4th 115 (1st Cir. 2022).

<sup>1850</sup> *Id.* at 125 (quoting *Chen v. U.S. Sports Acad., Inc.*, 956 F.3d 45, 60 (1st Cir. 2020)).

<sup>1851</sup> *Id.* at 124–25.



contacts with the United States as a whole satisfied due process.<sup>1852</sup> The threshold requirement was a certification by the plaintiff “to the effect that, ‘based on the information that is readily available to the plaintiff and his counsel, the defendant is not subject to suit in the courts of general jurisdiction of any state.’”<sup>1853</sup> Because the plaintiff had failed to provide one, the district court had not erred by granting the defendant’s motion to dismiss.<sup>1854</sup>

So too did a different plaintiff fail to hale a Chinese corporation into federal district court in North Carolina under either that state’s long-arm statute<sup>1855</sup> or Rule 4(k)(2).<sup>1856</sup> The defendant manufactured virtual reality smart glasses, which it had not yet introduced in the United States under its allegedly infringing mark; nevertheless, the plaintiff’s complaint alleged that the defendant had begun promoting its goods by marketing them online, providing downloads of a related software developer kit, accepting preorders, and “launching an augmented reality game . . . as well as [an] application, by which users can turn any existing Android application into a mixed reality application for use with the . . . glasses.”<sup>1857</sup> In the absence of actual sales in North Carolina, the plaintiff accused the defendant of undertaking its alleged infringement knowing it would injure the plaintiff in the state, but the court held that allegation insufficient without something more, and it also rejected the plaintiff’s averments of settlement negotiations comprising “at least 90 emails and over 11 phone calls” involving plaintiff’s Raleigh-based counsel as satisfying that requirement.<sup>1858</sup> The court then disposed of the plaintiff’s reliance on the defendant’s promotion of its goods on social media because the defendant’s posts were “devoid of any reference to North Carolina”;<sup>1859</sup> likewise, it found that the defendant’s website had “relatively limited” interactivity and did not target North Carolina residents in particular.<sup>1860</sup> It then rejected the plaintiff’s attempt to bootstrap a forum selection clause in an agreement between the parties because the agreement’s subject matter was unrelated to

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<sup>1852</sup> *Id.* at 127.

<sup>1853</sup> *Id.* (quoting *United States v. Swiss Am. Bank, Ltd.*, 191 F.3d 30, 41 (1st Cir. 1999)).

<sup>1854</sup> *Id.*

<sup>1855</sup> N.C. Gen. Stat. § 1-75.4(1).

<sup>1856</sup> See *Epic Games, Inc. v. Shenzhen Tairuo Tech. Co.*, 593 F. Supp. 3d 233 (E.D.N.C. 2022).

<sup>1857</sup> *Id.* at 237.

<sup>1858</sup> *Id.* at 239–40; see also *id.* at 246. (“[P]laintiff has failed to establish that the focal point of the alleged tortious activity was North Carolina. Thus, under the [*Calder*] effects test as well, plaintiff fails to make a prima facie showing of this court’s specific jurisdiction over defendant.”).

<sup>1859</sup> *Id.* at 241.

<sup>1860</sup> *Id.* at 243.

that of the lawsuit.<sup>1861</sup> With the defendant lacking “offices, facilities, bank accounts, phone numbers, or other addresses of any kind in the state,”<sup>1862</sup> an exercise of jurisdiction was inappropriate under the traditional analysis, especially in light of the Chinese domicile of the defendant.<sup>1863</sup>

That left the plaintiff’s claim that Rule 4(k)(2) provided an alternative basis for haling the defendant into court. Misunderstanding the parties’ respective burdens under the rule, the plaintiff argued that the defendant had failed to establish it was subject to the jurisdiction of another state; as the court properly held, the plaintiff bore the burden of proving that no other state could hale the defendant into its courts. With the plaintiff therefore having failed to make the required showing, its case merited dismissal for that additional reason.<sup>1864</sup>

## 5. Venue

Under 28 U.S.C. § 1391(b), venue in a federal court action will properly lie in a district in which “any defendant resides, if all defendants are residents of the State in which the district is located,” “in which a substantial part of the events or omissions giving rise to the claim occurred,” or in which any defendant may be found “if there is no district in which an action may otherwise be brought.”<sup>1865</sup> A challenge to the venue chosen by a plaintiff can take the form of a motion to dismiss brought under Federal Rule of Civil Procedure 12(b)(3)<sup>1866</sup> and 28 U.S.C. § 1406(a), the latter of which authorizes federal district courts to transfer or dismiss cases “laying venue in the wrong division or district,”<sup>1867</sup> which is arguably a codification of the common-law doctrine of *forum non conveniens*.<sup>1868</sup> A venue challenge can also include a motion to transfer under 28 U.S.C. § 1404(a), which provides that, “[f]or the convenience of [the] parties and [the] witnesses, 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 . . . .”<sup>1869</sup> Likewise, 28 U.S.C. § 1631 authorizes the transfer of cases in which the original court finds that

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<sup>1861</sup> *Id.* at 245.

<sup>1862</sup> *Id.*

<sup>1863</sup> *Id.* at 246.

<sup>1864</sup> *Id.* at 247.

<sup>1865</sup> 28 U.S.C. § 1391(b) (2018).

<sup>1866</sup> Fed. R. Civ. P. 12(b)(3).

<sup>1867</sup> 28 U.S.C. § 1406(a).

<sup>1868</sup> See generally *Sinochem Int’l Co. v. Malaysia Int’l Shipping Corp.*, 549 U.S. 422, 432 (2007) (noting that dismissal or transfer appropriate under *forum non conveniens* “when considerations of convenience, fairness, and judicial economy so warrant”).

<sup>1869</sup> 28 U.S.C. § 1404(a).

“there is a want of [personal] jurisdiction.”<sup>1870</sup> Finally, under Federal Rule of Civil Procedure 45(f), a showing of “exceptional circumstances” can justify the transfer of subpoena-related motions to the court of issuance.<sup>1871</sup>

### *a. Opinions Finding Venue Proper*

Although some venue disputes present difficult questions, those turning on the existence of forum-selection clauses generally do not. According to a New York federal district court weighing a motion to transfer by a defendant that previously had agreed to such a clause in an agreement with one of the two plaintiffs suing it:

The Court’s “calculus changes when the parties’ contract contains a valid forum-selection clause[.]” In that situation, the parties have “waive[d] the right to challenge the preselected forum as inconvenient or less convenient for themselves or their witnesses, or for their pursuit of the litigation.” “Accordingly, a district court may consider arguments about public-interest factors only, which will rarely override the weight given to the parties’ choice of forum.” In short, a valid forum-selection clause “should be given controlling weight in all but the most exceptional cases.”<sup>1872</sup>

The court therefore held that it could “consider only whether public-interest factors weigh in favor of transfer,”<sup>1873</sup> which it identified as “the administrative difficulties flowing from court congestion; the local interest in having localized controversies decided at home; [and] the interest in having the trial of a diversity case in a forum that is at home with the law.”<sup>1874</sup> Rather than addressing those factors, the defendant ineffectually argued that a transfer was appropriate because evidence and witnesses were located in its home state of Florida. “[E]ven accepting that litigating this case in New York will impose some burden on the parties and their witnesses,” the court observed with respect to the claims by the first plaintiff against the defendant, “Defendant’s argument is

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<sup>1870</sup> *Id.* § 1631.

<sup>1871</sup> Fed. R. Civ. P. 45(f).

<sup>1872</sup> *Lavazza Premium Coffees Corp. v. Prime Line Distribs. Inc.*, 575 F. Supp. 3d 445, 465–66 (S.D.N.Y. 2021) (alterations in original) (first quoting *ESI Cases & Accessories, Inc. v. Home Depot Prod. Auth., LLC*, No. 18-CV-11507 (JMF), 2019 WL 4256364, at \*2 (S.D.N.Y. Sept. 9, 2019); then quoting *Atl. Marine Constr. Co. v. U.S. Dist. Ct. for W. Dist. of Tex.*, 571 U.S. 49, 64 (2013); then quoting *Berkley Assurance Co. v. MacDonald-Miller Facility Sols., Inc.*, No. 19-CV-7627 (JPO), 2019 WL 6841419, at \*4 (S.D.N.Y. Dec. 16, 2019), *reconsideration denied*, No. 19-CV-7627 (JPO), 2020 WL 1643866 (S.D.N.Y. Apr. 1, 2020); and then quoting *Atl. Marine Constr. Co.*, 571 U.S. at 63).

<sup>1873</sup> *Id.* at 466.

<sup>1874</sup> *Id.* (alteration in original) (quoting *Atl. Marine Constr. Co.*, 571 U.S. at 63 n.6).

beside the point because the convenience of litigating in the forum is a private, not public, interest.”<sup>1875</sup> Moreover, even though the second plaintiff was not a party to the forum-selection clause, that fact did not prevent the court from concluding that venue was appropriate with respect to that plaintiff’s claims as well.<sup>1876</sup>

Finally, in a case not presenting a forum-selection clause, an individual defendant added to the litigation after discovery disclosed his personal participation in the allegedly unlawful conduct undertaken by a company argued that venue was improper under 28 U.S.C. § 1404(a).<sup>1877</sup> The case was lodged in the Western District of Washington, and the individual defendant’s company had shipped the goods underlying the lawsuit into that state. Those shipments rendered the individual defendant’s argument meritless because, as the court explained, “[f]or actions ‘brought under the Lanham Act, a “substantial part” of the events giving rise to the claims occur in any district where consumers are likely to be confused by the accused goods,’ ‘whether that occurs solely in one district or in many.’”<sup>1878</sup> The litigation therefore remained in Washington.

### ***b. Opinions Declining to Find Venue Proper***

One of the few reported opinions to address the transfer of a case came from the Fifth Circuit, which did so in a highly unusual context.<sup>1879</sup> The appeal before it from the United States District Court for the Western District of Texas, which had reassigned the case from its San Antonio Division to its Waco Division for trial without transferring the administrative docket between the two. That transfer resulted in a San Antonio-based witness being more than one hundred miles from the courthouse as of the trial of the matter, therefore making his deposition testimony admissible under Rule 32(a)(4)(b) of the Federal Rules of Civil Procedure<sup>1880</sup> Although the parties not proffering the deposition testimony claimed they were prejudiced by their inability to cross-examine the witness at

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<sup>1875</sup> *Id.*

<sup>1876</sup> *Id.* at 467 (“Here, the Court’s retention of [the lead Plaintiff’s] claims leads the Court also to retain [the second Defendant’s] claims. [The lead Plaintiff’s] claims comprise the bulk of the ten counts alleged in the Complaint, and are factually intertwined with [the second Defendant’s] claims. Given that [the lead Plaintiff’s] claims will be litigated before this Court, the Court finds that both the litigants’ private interests and the broader public interests implicated under 28 U.S.C. § 1404 weigh against transfer of [the second Plaintiff’s] claims.”).

<sup>1877</sup> *See Corker v. Costco Wholesale Corp.*, 585 F. Supp. 3d 1284 (W.D. Wash. 2022).

<sup>1878</sup> *Id.* at 1295 (quoting *Golden Scorpio Corp. v. Steel Horse Bar & Grill*, 596 F. Supp. 2d 1282, 1286 (D. Ariz. 2009)).

<sup>1879</sup> *See Spectrum Ass’n Mgmt. of Tex., L.L.C. v. Lifetime HOA Mgmt. L.L.C.*, 5 F.4th 560 (5th Cir. 2021).

<sup>1880</sup> Fed. R. Civ. P. 32(a)(4)(b).

trial, the court of appeals was unmoved. It therefore rejected the proposition that the district court should have required the witness's live testimony because he lived within one hundred miles of the courthouse in which the case remained lodged as an administrative matter.<sup>1881</sup>

## 6. Issue and Claim Preclusion

### *a. Issue Preclusion (Collateral Estoppel)*

The doctrine of issue preclusion provides “the determination of a question directly involved in one action is conclusive as to that question in a second suit.”<sup>1882</sup> Having previously prevailed in a proceeding before the Trademark Trial and Appeal Board by demonstrating priority and likely confusion between its mark and three marks owned by the defendant, one plaintiff asserted in a later infringement suit between the parties that the Board's decision had issue-preclusive effect with respect to the affirmative defenses of estoppel, acquiescence, or waiver, which the defendant asserted in the infringement action.<sup>1883</sup> Although the defendant conceded that issue preclusion barred it from relitigating the issues of priority and likely confusion, it contested the doctrine's applicability to its affirmative defenses. The court agreed with the defendant, noting that the Board had not decided those issues in the proceeding before it, which meant the plaintiff's earlier victory did not bar the defendant from asserting the defenses.<sup>1884</sup>

### *b. Claim Preclusion (Res Judicata)*

As formulated by the Supreme Court, “claim preclusion prevents parties from raising issues that could have been raised and decided in a prior action—even if they were not actually litigated”;<sup>1885</sup> consequently, “[i]f a later suit advances the same claim as an earlier suit between the same parties, the earlier suit's judgment “prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding.”<sup>1886</sup> Because the Court has never set out a precise test for determining whether claim preclusion applies, lower federal courts have adopted their own, of which the following restatement of First Circuit law was

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<sup>1881</sup> *Spectrum Ass'n Mgmt.*, 5 F.4th at 565.

<sup>1882</sup> *B&B Hardware v. Hargis Indus.*, 575 U.S. 138, 147 (2015).

<sup>1883</sup> *See Gulfstream Aerospace Corp. v. Gulfstream Unsinkable Boats, LLC*, 530 F. Supp. 3d 1167 (M.D. Fla. 2021).

<sup>1884</sup> *Id.* at 1173.

<sup>1885</sup> *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp., Inc.*, 140 S. Ct. 1589, 1594 (2020).

<sup>1886</sup> *Id.* (quoting *Brown v. Felsen*, 442 U.S. 127, 131 (1979)).

characteristic: “An earlier judgment gives rise to claim preclusion where 1) the prior action resulted in a final judgment on the merits, 2) the causes of the action alleged in both suits are sufficiently identical or related and 3) the parties are likewise sufficiently identical or closely related.”<sup>1887</sup>

In the most noteworthy application of those principles over the past year, the Third Circuit reversed a district court’s grant of a motion to dismiss grounded in the theory that a prior Trademark Trial and Appeal Board opinion addressing the likelihood of confusion between the parties’ marks enjoyed claim-preclusive effect.<sup>1888</sup> The reason? The plaintiff’s claim before the district court under Section 43(a) was different from its claim before the Board under Section 2(d),<sup>1889</sup> As the court explained in a holding meriting reproduction at length:

Because the TTAB has no jurisdiction to consider whether an infringer’s use of a mark damages a petitioner seeking cancellation, and in turn cannot award any remedy beyond cancellation for the injuries a petitioner has suffered, a section 43(a) claim is not one that could have been brought in a TTAB cancellation proceeding.

. . . .

. . . Granting claim preclusive effect to TTAB proceedings against subsequent infringement suits would penalize trademark holders who promptly oppose or seek to cancel an invalid mark, rather than delay litigation until that party could assert all possible causes of action in the District Court. A rule encouraging such delay would moreover stand in tension with sections 14(1) and 15 of the Lanham Act, which urge prompt opposition and cancellation petitions by providing that trademark registrations over five years old are generally incontestable and cannot be challenged.

We will not apply claim preclusion in a way that encourages litigants to sit on their claims and undermines the Lanham Act’s adjudicative mechanisms.<sup>1890</sup>

A Massachusetts federal district court similarly disposed of multiple assertions of claim preclusion in equally definitive fashion.<sup>1891</sup> Seeking both to defend against the plaintiff’s motion for a preliminary injunction motion and to secure the dismissal of the

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<sup>1887</sup> *Umuoji Improvement Union (N. Am.), Inc. v. Umuoji Improvement Union (N. Am.), Inc.*, 537 F. Supp. 3d 79, 89 (D. Mass. 2021).

<sup>1888</sup> *See* *Beasley v. Howard*, 14 F.4th 226 (3d Cir. 2021).

<sup>1889</sup> 15 U.S.C. § 1052(d).

<sup>1890</sup> *Beasley*, 14 F.4th at 234, 236.

<sup>1891</sup> *See Umuoji Improvement Union (N. Am.), Inc. v. Umuoji Improvement Union (N. Am.), Inc.*, 537 F. Supp. 3d 79 (D. Mass. 2021).

plaintiffs' complaint for failure to state a claim, the defendants called the court's attention to three allegedly related litigation matters that they claimed barred the plaintiffs' prosecution of its infringement and unfair causes of action. The court rejected the relevance of each—the first because it had not yet resulted in a final judgment, and the second and third because they both lacked a common nucleus of fact with the plaintiffs' causes of action.<sup>1892</sup> Without an identity of claims, an application of claim-preclusion principles to bar those causes of action was inappropriate.

## 7. Judicial Estoppel

The complicated procedural disposition of a claim for an accounting of profits led to competing claims of judicial estoppel in an appeal to the Ninth Circuit.<sup>1893</sup> At trial, the district court referred the question of the plaintiffs' entitlement to that remedy to a jury, which declined to order it. Following that outcome, the plaintiffs unsuccessfully argued to the district court that the jury verdict was merely advisory, while the defendants successfully contended it was binding. Consistent with then-extant Ninth Circuit authority, the district court instructed the jury that the plaintiffs needed to show willful misconduct on the defendants' part to allow an accounting, only to have the Supreme Court abrogate that authority in *Romag Fasteners, Inc. v. Fossil, Inc.*<sup>1894</sup> On appeal after that development, the plaintiffs sought a remand for a new trial before a properly instructed jury and argued that the defendants were judicially estopped from arguing that the district court should decide the issue; for their part, the defendants argued that judicial estoppel barred the plaintiffs from arguing that the jury's consideration of the issue was merely advisory.

In rejecting both sides' arguments, the appellate court held:

Although judicial estoppel is probably not reducible to any general formulation of principle, several factors typically inform the decision whether to apply the doctrine in a particular case. First, a party's later position must be clearly inconsistent with its earlier position. Second, courts regularly inquire whether the party has succeeded in persuading a court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create the perception that either the first or the second court was misled. A third consideration is whether the party seeking to assert an inconsistent position

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<sup>1892</sup> *Id.* at 89–90.

<sup>1893</sup> *See Harbor Breeze Corp. v. Newport Landing Sportfishing, Inc.*, 28 F.4th 35 (9th Cir. 2022).

<sup>1894</sup> 140 S. Ct. 1492 (2020).

would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped. In enumerating these factors, we do not establish inflexible prerequisites or an exhaustive formula for determining the applicability of judicial estoppel. Additional considerations may inform the doctrine's application in specific factual contexts.<sup>1895</sup>

Addressing the issue in light of those considerations, the court held judicial estoppel inappropriate. It noted that the parties' earlier positions related to whether the jury's verdict was advisory, which was a different question than whether a jury trial was appropriate on remand. For much the same reason, it did not view the parties' positions on appeal to be sufficiently inconsistent with their original ones to warrant an application of the doctrine.<sup>1896</sup>

## 8. Extraterritorial Applications of the Lanham Act

With the Supreme Court poised to clarify the circumstances under which the Lanham Act can be applied on an extraterritorial basis,<sup>1897</sup> that issue made few appearances in reported opinions. An exception to that general rule, however, came from the Second Circuit in a case in which the plaintiff sought a finding of contempt against Chinese affiliates of United States banks that had been enjoined from allowing transfers of assets from the accounts of accused counterfeiters.<sup>1898</sup> Neither the district court nor the court of appeals was inclined to deliver such an outcome. Although myriad reasons underlay the Second Circuit's opinion on the issue, one was a concern that an application of United States law to the conduct of the accused contemnors could violate principles of international comity, namely, "the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation."<sup>1899</sup> That was especially true in light of the accused contemnors' showing that Chinese law prevented them from freezing accounts except "at the request of a 'competent organ'—a term that includes Chinese courts but excludes foreign courts."<sup>1900</sup> Because there was a "fair ground of doubt" about how the comity analysis should play out—an issue not resolved by the district court

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<sup>1895</sup> *Harbor Breeze*, 28 F.4th at 40 (quoting *Ah Quin v. Cnty. of Kauai Dep't of Transp.*, 733 F.3d 267, 270–71 (9th Cir. 2013)).

<sup>1896</sup> *Id.*

<sup>1897</sup> *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016 (10th Cir. 2021), *cert. granted sub nom. Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 143 S. Ct. 398 (2022).

<sup>1898</sup> *See Next Invs., LLC v. Bank of China*, 12 F.4th 119 (2d Cir. 2021).

<sup>1899</sup> *Id.* at 131 (quoting *Hilton v. Guyot*, 159 U.S. 113, 164 (1895)).

<sup>1900</sup> *Id.* at 132.



prior to the plaintiff's motion—the district court had not abused its discretion by denying the motion.<sup>1901</sup>

## 9. Joinder

### *a. Indispensable Parties*

The issue of when a non-party to litigation is a necessary one under Rule 19 of the Federal Rules of Civil Procedure<sup>1902</sup> was not the subject of much judicial attention.<sup>1903</sup> Nevertheless, a Massachusetts federal district addressed that issue in the context of competing motions for a preliminary injunction and to dismiss, the former of which the defendants contested in part by arguing that the corporate plaintiff seeking that relief had failed to join its officers as individual plaintiffs.<sup>1904</sup> Rejecting that argument, the court initially held that:

A party is “necessary” under Rule 19(a) if either (A) the court cannot provide complete relief without joining the absent party or (B) the absent party claims such an interest in the subject of the action that proceeding without the party may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or (ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.

The interest claimed must be a “legally protected interest” relating to the subject matter of the action.<sup>1905</sup>

Because the court concluded that it could resolve the plaintiff's entitlement to relief without joining the absent individuals as individual plaintiffs, it declined to grant the defendants' motion to dismiss.<sup>1906</sup>

### *b. Improper Joinder*

Federal Rule of Civil Procedure 20(a) allows multiple plaintiffs to join together in an action if “they assert any right to relief jointly, severally, or in the alternative with respect to or arising out of the

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<sup>1901</sup> *Id.*

<sup>1902</sup> Fed. R. Civ. P. 19.

<sup>1903</sup> See *Upper Deck Co. v. Flores*, 569 F. Supp. 3d 1050, 1069 (S.D. Cal. 2021) (denying motion to dismiss grounded in putative absence from case of indispensable parties based on defendant's failure to brief issue).

<sup>1904</sup> See *Umuoji Improvement Union (N. Am.), Inc. v. Umuoji Improvement Union (N. Am.), Inc.*, 537 F. Supp. 3d 79 (D. Mass. 2021).

<sup>1905</sup> *Id.* at 87 (first quoting Fed. R. Civ. P. 19(a); and then quoting *United States v. San Juan Bay Marina*, 239 F.3d 400, 406 (1st Cir. 2001)).

<sup>1906</sup> *Id.* at 88.

same transaction, occurrence, or series of transactions or occurrences[] and . . . any question of law or fact common to all plaintiffs will arise in the action.”<sup>1907</sup> That rule was creatively but unsuccessfully invoked in a district court appeal brought by a domain name registrant dissatisfied with a UDRP decision against him.<sup>1908</sup> The disputed domain name was visitqatar.com, and the registrant named as the defendant in his appeal the Qatar National Tourism Council, which had initiated the UDRP arbitration. When the Council answered the plaintiff’s complaint and asserted counterclaims against the plaintiff, it was joined by Qatar Airways, which asserted its own causes of action. Not surprisingly, the court regarded the airline’s attempt to insert itself into the litigation with deep skepticism, and it therefore granted the plaintiff’s motion to dismiss the airline from the case.

To begin with, the court noted that Rule 20 addressed parties joining actions as co-plaintiffs. Qatar Airways, however, had not joined the Council’s claims but instead purported to be a counterclaimant asserting “its own related, but distinct claims” against the plaintiff; moreover, it did so, even though the plaintiff had never asserted any claims against it.<sup>1909</sup> Beyond that, the court held, allowing the airline’s claims against the plaintiff would raise “concerns as to service of process and personal jurisdiction.”<sup>1910</sup> That was so because service of the airline’s claims in the absence of a formal summons likely did not comply with the requirements of Rule 4 of the Federal Rules of Civil Procedure<sup>1911</sup> and because the plaintiff had not consented to an exercise of personal jurisdiction where the airline’s claims were concerned.<sup>1912</sup> “Given these concerns,” the court concluded, it declined “to exercise its discretion to allow Qatar Airways to join the case at this time.”<sup>1913</sup>

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<sup>1907</sup> Fed. R. Civ. P. 20(a)(1)–(2).

<sup>1908</sup> See *Mehdiyev v. Qatar Nat’l Tourism Council*, 532 F. Supp. 3d 1065 (D. Colo. 2021).

<sup>1909</sup> *Id.* at 1068.

<sup>1910</sup> *Id.*

<sup>1911</sup> Fed. R. Civ. P. 4. As the court explained, “a plaintiff generally consents to the court having personal jurisdiction over counterclaims brought against him by someone he sues. But it is less clear if that consent extends to independent claims asserted by a third party whom the plaintiff never sued in the first instance, even if those claims may have some factual similarity to the plaintiff’s original claims.” *Mehdiyev*, 532 F. Supp. 3d at 1068.

<sup>1912</sup> *Id.* at 1069 (“While a true counterclaim brought by an existing defendant may not require separate service under Rule 4, as Qatar Airways notes, that proposition does not necessarily extend where a third party joins a lawsuit, without leave, and asserts its own claims against a plaintiff.”).

<sup>1913</sup> *Id.*

## 10. Service of Process

Reported trademark and unfair competition opinions rarely address the technical requirements of service of process under Rule 4 of the Federal Rules of Civil Procedure,<sup>1914</sup> but one from an Illinois federal district court did just that after the court initially authorized the plaintiffs in a counterfeiting action to serve the defendants with summons and copies of the complaint via e-mail.<sup>1915</sup> The precise procedural hook for that authorization was Rule 4(f)(3), which contemplates alternative means of service if the serving party secures leave of the court and those “other means [are] not prohibited by international agreement.”<sup>1916</sup> Because one of the defendants served electronically was domiciled in China, which was an adherent to the Hague Convention, the defendant claimed the service was invalid as barred by the Convention. Observing that “[s]ervice by email is not specifically provided for in the Convention, but neither is it forbidden,”<sup>1917</sup> the court disagreed. Not only had prior case law approved service by e-mail,<sup>1918</sup> but “[i]n the absence of a provision affirmatively prohibiting service by email or any reason to believe the Convention bars all unenumerated methods of service, district courts have authority to allow service by email as an alternative means of service under Rule 4(f)(3).”<sup>1919</sup> The court therefore denied the defendant’s motion to dismiss for want of improper service.<sup>1920</sup>

## 11. Arbitrability

Disputes over arbitrability arose primarily in actions to protect persona-based rights. For example, an otherwise successful plaintiff saw her victory on a motion to dismiss before a Washington federal district court come undone over an arbitrability dispute.<sup>1921</sup> The gravamen of the Ohio-based plaintiff’s claim was that the defendant, which maintained an electronic database compiled from information in school yearbooks, had used the plaintiff’s image to advertise or sell the defendant’s products and services without her permission. While researching the basis of that claim, an attorney

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<sup>1914</sup> Fed. R. Civ. P. 4.

<sup>1915</sup> See *NBA Props., Inc. v. P’ships & Unincorporated Ass’ns Identified in Schedule “A,”* 549 F. Supp. 3d 790 (N.D. Ill. 2021), *appeal dismissed sub nom. NBA Props., Inc. v. HANWJH*, No. 21-2378, 2021 WL 6689526 (7th Cir. Nov. 9, 2021), *aff’d*, 46 F.4th 614 (7th Cir. 2022), *cert. denied*, No. 22-467, 2023 WL 124092 (U.S. Jan. 9, 2023).

<sup>1916</sup> Fed. R. Civ. P. 4(f)(3).

<sup>1917</sup> *NBA Props.*, 549 F. Supp. 3d at 797.

<sup>1918</sup> *Id.* (citing cases).

<sup>1919</sup> *Id.* at 798.

<sup>1920</sup> *Id.*

<sup>1921</sup> See *Knapke v. PeopleConnect, Inc.*, 38 F.4th 824 (9th Cir. 2022).

representing the plaintiff had opened an account with the defendant, in the course of which he agreed to a mandatory arbitrary clause. The Washington federal district court assigned to the case was untroubled by the clause, holding in an application of Ohio law that the plaintiff was not bound by her counsel's agreement to the clause. The Ninth Circuit took a different view of the issue, however, giving dispositive weight to a choice-of-law clause specifying Washington law as governing all disputes arising from the agreement.<sup>1922</sup> Because an application of that law yielded myriad unresolved questions about whether the attorney's agreement to the terms of his account with the defendant bound the plaintiff,<sup>1923</sup> the appellate court vacated the district court's rejection of the defendant's bid for mandatory arbitration and remanded the case for further consideration of that issue.<sup>1924</sup>

An opinion from an Illinois federal district court addressed closely related issues arising from closely related facts.<sup>1925</sup> The plaintiffs in the proposed class action lawsuit producing it objected to the defendant's practice of using their names as teasers to induce its customers to purchase paid subscriptions for more information on the plaintiffs. The lead counsel for the proposed class had purchased just such a subscription, which allowed the defendant to argue that two plaintiffs who had joined the case after that purchase were bound by a mandatory arbitration clause in the subscription's terms. The court rejected that theory, holding instead that the clause did not have the binding effect posited by the defendant, at least until a class including the two plaintiffs actually had been certified:

Before class certification, there is no class and no class counsel. Putative class counsel therefore does not represent absent members of the putative class or act as their agent. Any contrary rule would have absurd consequences, allowing attorneys to ratify contracts on behalf of hundreds, thousands, or even millions of people just by filing a class action complaint.<sup>1926</sup>

The court then rejected a fallback argument advanced by the defendant, which was that the two plaintiffs had themselves agreed to mandatory arbitration simply by visiting the defendant's website. Observing that “[d]etermining whether an internet user has agreed

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<sup>1922</sup> *Id.* at 832.

<sup>1923</sup> For example, it was unclear whether he actually represented the plaintiff at the time and also whether she had ratified his conduct on an after-the-fact basis. *Id.*

<sup>1924</sup> *Id.* at 832–36.

<sup>1925</sup> *See* *Lukis v. Whitepages Inc.*, 549 F. Supp. 3d 798 (N.D. Ill. 2021).

<sup>1926</sup> *Id.* at 808 (citations omitted).

to online terms of service is ‘a fact-intensive inquiry,’”<sup>1927</sup> the court then doubled down by holding that:

Determining whether a user entered into a browsewrap agreement is especially fact-dependent: “Because no affirmative action is required by the website user to agree to the terms of a contract other than his or her use of the website, the determination of the validity of a browsewrap contract depends on whether the user has actual or constructive knowledge of a website’s terms and conditions.”<sup>1928</sup>

Whether the plaintiffs had agreed to the terms of the defendant’s browsewrap agreement was an issue best addressed after full discovery on the issue.<sup>1929</sup>

## 12. Sanctions

Having filed a claim of false endorsement, and having been served with a counterclaim of infringement in response, one plaintiff found himself severely disadvantaged at trial when a District of Columbia federal judge precluded him from introducing any documents at trial and, then, in a separate order, barred him from making any evidentiary proffers to support his claims and defenses.<sup>1930</sup> The first sanction arose from the plaintiff’s repeated failure to produce documents responsive to the defendants’ discovery requests, while the second resulted from his refusal to make his required contributions to the joint pretrial order. In affirming the first sanction, the D.C. Circuit refused to give the plaintiff credit for producing *other* documents because the absence of the missing documents had prejudiced the defendants while they prepared their summary judgment motions.<sup>1931</sup> Then, in similarly affirming the second sanctions order, the court concluded that: (1) the plaintiff’s recalcitrance had prejudiced the defendants’ efforts to prepare for trial; (2) it had similarly burdened the judicial process by forcing the district court repeatedly to intervene in what should have been a straightforward administrative filing; and (3) the sanction was necessary for deterrence.<sup>1932</sup> The district court therefore had not abused its discretion in taking the actions it had.

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<sup>1927</sup> *Id.* at 809 (quoting *Sgouros v. TransUnion Corp.*, 817 F.3d 1029, 1034–35 (7th Cir. 2016)).

<sup>1928</sup> *Id.* (quoting *Van Tassell v. United Mktg. Grp.*, 795 F. Supp. 2d 770, 790 (N.D. Ill. 2011)).

<sup>1929</sup> *Id.*

<sup>1930</sup> *See Klayman v. Jud. Watch, Inc.*, 6 F.4th 1301 (D.C. Cir. 2021), *cert. denied*, 143 S. Ct. 57 (2022), *rehearing denied*, 143 S. Ct. 57 (2022).

<sup>1931</sup> The court also held the plaintiff had waived his objections to the exclusion of his documents based on his failure to object to a magistrate’s recommendation of that sanction. *Id.* at 1312.

<sup>1932</sup> *Id.* at 1314.

### *E. Evidentiary Matters*

#### **1. Admissibility of Expert Witness Testimony**

At least in litigation in federal courts, Rule 702 of the Federal Rules of Evidence<sup>1933</sup> governs the admissibility of expert witness testimony. It authorizes that testimony if:

- (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
- (b) the testimony is based on sufficient facts or data;
- (c) the testimony is the product of reliable principles and methods; and
- (d) the expert has reliably applied the principles and methods to the facts of the case.<sup>1934</sup>

Under the Supreme Court's decision in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*,<sup>1935</sup> courts entertaining proffered expert witness testimony must act as gatekeepers to determine whether the witness in question is qualified as an expert and whether the testimony would be both relevant and reliable.<sup>1936</sup> Rule 702 and its requirements came into play in various contexts.

#### *a. Survey Experts*

Surveys commissioned to document evidence of actual or likely confusion among respondents typically reflect one of two formats. The first is the *Eveready* monadic format first endorsed by *Union Carbide Corp. v. Ever-Ready, Inc.*,<sup>1937</sup> and described in the following manner by Professor McCarthy:

To prove that consumers were likely to confuse the source of defendant's EVER-READY lamps with plaintiff Union Carbide's EVEREADY branded batteries, flashlights and bulbs, Union Carbide introduced the results of a survey with the following questions:

1. [Screening question to eliminate persons in the bulb or lamp industries.]
2. Who do you think puts out the lamp shown here? (A picture of defendant's EVER-READY lamp with its mark is shown).
3. What makes you think so?

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<sup>1933</sup> Fed. R. Evid. 702.

<sup>1934</sup> *Id.*

<sup>1935</sup> 509 U.S. 579 (1993).

<sup>1936</sup> *Id.* at 589.

<sup>1937</sup> 531 F.2d 366 (7th Cir. 1976).

4. Please name any other products put out by the same concern which puts out the lamp shown here.<sup>1938</sup>

*Eveready* surveys typically yield higher net positive results if plaintiffs' marks are commercially strong, which has led some commentators and courts to hold they are appropriate *only* in actions to present commercially strong marks.<sup>1939</sup>

In contrast, the *Squirt* sequential array format<sup>1940</sup> exposes respondents to the plaintiff's mark in an initial "room" and then, in a second room, to an array of stimuli that include either an allegedly infringing mark or a control mark, as well as four non-infringing marks. "For a senior user's mark that is not readily identified by survey respondents, a Squirt survey is more likely to produce a higher level of perception that the marks identify the same or related sources."<sup>1941</sup> Nevertheless, courts are generally receptive to the results of *Squirt*-format surveys only if the parties' goods or services are available to consumers in immediate proximity to each other.

The relationship between *Eveready* and *Squirt* surveys came into play in an action to protect the trade dress of foil packages for a line of juice products.<sup>1942</sup> The plaintiff sought to exclude, on multiple grounds, the results of an *Eveready* survey conducted by the defendant's expert, including the appearance of the parties' goods close to each other in the marketplace. The plaintiff argued that that circumstance meant that only a *Squirt* survey was appropriate, but the court disagreed, holding instead that "[the plaintiff] does not point to any authority that, when the junior and senior products are sold in the same store or on the same website, *Squirt*'s side-by-side approach is required to be used in lieu of the *Eveready* approach. To the contrary, courts in this District and elsewhere have found *Eveready* studies admissible—and sometimes preferable—in such circumstances."<sup>1943</sup>

<sup>1938</sup> J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:174 (5th ed.) (alteration in original).

<sup>1939</sup> See, e.g., Jerre B. Swann, *Eveready and Squirt—Cognitively Updated*, 106 TMR 727, 733–34 (2016) ("‘Top-of-mind’ refers to marks that are readily accessible in memory. . . . The Eveready format is . . . the gold standard for assessing confusion as to (readily recalled) top-of-mind marks; but not all commercially strong marks are cognitively stored top-of-mind; and the Eveready format is thus not appropriate for all strong marks. . . . [W]hen marks exist proximately in the market, Eveready may not, by itself, be appropriate to test for likelihood of confusion as to strong marks that are generally recognized, but not readily recalled.").

<sup>1940</sup> See *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980).

<sup>1941</sup> J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 32:174.50 (5th ed.).

<sup>1942</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>1943</sup> *Id.* at 126 (footnote omitted).

A second critique of the survey by the plaintiff also failed to bear fruit. According to the plaintiff, the defendant's expert had erred by allowing respondents too much time to review video stimuli featuring the parties' respective packages. The court again found that criticism unconvincing, concluding instead that "[t]his argument also fails. In real life, the length and depth of a customer's engagement with a product she encounters varies by customer. As a result, 'any survey is of necessity an imperfect mirror of actual customer behavior under real life conditions.'"<sup>1944</sup> Besides, and in any case, "only 3% of respondents watched the video more than once,"<sup>1945</sup> while "[t]he vast majority of respondents therefore interacted with virtual replica of an Accused Product for a short time only before forming judgments about them—much as in a brick-and-mortar store or online."<sup>1946</sup>

So too did the court reject yet another objection, namely, that the survey failed to account for "post-sale scenarios in which end-consumers may encounter assortments of pouches in which [the plaintiff's] pouches and [the] Accused Pouches are intermingled, such as at a birthday party or sporting event."<sup>1947</sup> That criticism proved meritless because, as the court explained, "consumer confusion studies—and the corresponding case law—naturally focus on the point of sale. That is because they test confusion of 'future potential *purchasers*,' 'potential future *purchasers*,' or 'prospective *purchasers*.'"<sup>1948</sup> The survey's failure to test for confusion on a post-sale basis therefore went to its weight, not its admissibility.

The plaintiff gained no traction with its next claimed basis for excluding the survey's results, which was the survey's use as stimuli of only three of the twenty-four packages challenged by the plaintiff. Although the plaintiff argued the defendant's expert had failed to establish why the three packages at issue were representative of the larger group, the court declined to hold that the expert should have randomly displayed all twenty-four of the defendant's packages as stimuli. Instead, it held, because the plaintiff challenged the *shape* of the defendant's packages, the survey could have used only one such package and still yield admissible results; its use of three stimuli therefore added "assurance that survey responses were not skewed by the distinctive dress (*e.g.*, colors and labels) of a particular pouched drink. But to achieve reliability there was no

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<sup>1944</sup> *Id.* (quoting *Gucci Am., Inc. v. Guess?, Inc.*, 831 F. Supp. 2d 723, 738 (S.D.N.Y. 2011)).

<sup>1945</sup> *Id.* at 127.

<sup>1946</sup> *Id.*

<sup>1947</sup> *Id.*

<sup>1948</sup> *Id.* (first quoting *Conopco, Inc. v. Cosmair, Inc.*, 49 F. Supp. 2d 242, 253 (S.D.N.Y. 1999); then quoting *Malletier v. Dooney & Bourke, Inc.*, 525 F. Supp. 2d 558, 604 (S.D.N.Y. 2007); and then quoting *Gross v. Bare Escentuals Beauty, Inc.*, 641 F. Supp. 2d 175, 189 (S.D.N.Y. 2008)).



need to conduct this exercise on all 24 Accused Pouches. Such would have been overkill.”<sup>1949</sup>

Things continued to go downhill for the plaintiff when it objected to the failure of the defendant’s expert to conduct a pilot before pulling the trigger on his fully projectable survey. The plaintiff posited the existence of a duty among survey experts to undertake pilots, but the court determined that no such duty existed. On the contrary:

[T]he caselaw does not rigidly require the duty to pretest that [the plaintiff] posits. [The plaintiff] has not cited authority that a lack of a pilot test, itself, calls into doubt the reliability of a consumer confusion survey, let alone requires its exclusion. Rather, . . . a pretest may enhance the court’s confidence in a survey’s reliability. . . .

. . . To be sure, courts have excluded consumer confusion studies for discarding unfavorable pretest results, much as they have done where the expert altered the pretest survey without adequate explanation where the alteration yielded superior results. Merely foregoing a pretest does not, however, raise such red flags.<sup>1950</sup>

Finally, the court rejected challenges to the survey’s universe and a screening question used to select that universe. The plaintiff complained that the universe was “(i) overinclusive in considering past purchasers of pouched juice drinks, and underinclusive in not considering (ii) future potential consumers who are indifferent to their packaging when they buy single-serve juice drinks and (iii) children and retailers.”<sup>1951</sup> Once more, the court was unconvinced, holding seriatim that “[c]ourts have frequently admitted consumer confusion studies . . . whose universe included past purchasers alongside potential future purchasers,”<sup>1952</sup> that the universe had included all potential juice purchasers except those averse to the pouches used by each party,<sup>1953</sup> and that “[the plaintiff] has not adduced evidence that [children] constitute a significant proportion of the population that buys 10-, 30-, or 40-count cartons of pouched drinks off the shelf.”<sup>1954</sup> It was equally hostile to the plaintiff’s criticism of a screening question offering respondents the choice of “pouches,” “bottles,” “cans,” “none of these,” and “not purchased/likely to purchase” as responses, faulting the plaintiff for failing to “point to any feature of Question 150 that made the answer

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<sup>1949</sup> *Id.*

<sup>1950</sup> *Id.* at 127-28 (citations omitted).

<sup>1951</sup> *Id.* at 123.

<sup>1952</sup> *Id.* at 124.

<sup>1953</sup> *Id.* at 125.

<sup>1954</sup> *Id.*

choice ‘pouches’ so prominent as to reveal the survey’s purpose to respondents.”<sup>1955</sup> The survey’s results therefore were admissible.

Both of the primary survey formats came into play in one case before a Florida federal district court considering allegations of trade dress infringement in the energy-drink industry.<sup>1956</sup> An expert retained by the defendant conducted an *Eveready* survey comparing the parties’ cans, which yielded a net confusion rate of 0.9%. Nevertheless, relying on the expert’s own testimony, the court held that:

The problem with [the defendant’s] survey . . . is that there’s very little evidence that [the plaintiff’s] label enjoys “top-of-mind” awareness. As [the expert] testified, “when a mark is not sufficiently well known, an Eveready survey will produce very low results for likelihood of confusion.” This makes sense. If the survey participants aren’t aware of the [plaintiff’s] label, then even looking at a near-identical can . . . won’t bring the [plaintiff’s] product to mind or result in any confusion.<sup>1957</sup>

The defendant responded to the court’s concern with two arguments, but each came up short. The first was that the plaintiff’s “substantial advertising expenditures and sales” established consumers’ familiarity with the plaintiff’s claimed trade dress, which the court rejected because “[the plaintiff’s line of drinks] is a relatively new product; it has captured less than 10% of the market; it resembles other brands; and there’s *no* evidence linking its advertising and sales to the general public’s awareness of its trade dress.”<sup>1958</sup> The second was the claim by the plaintiff’s principal that his company owned “one of the most famous trade dresses on Planet Earth,” as well as the “most impactful logo, not only in beverage, but in the entire world,” in response to which the court found “we can’t agree that [the plaintiff’s line] is one of the most famous brands on the planet . . . .”<sup>1959</sup> “[A]nd so,” the court concluded, “we find little value in [the plaintiff’s] *Eveready* survey.”<sup>1960</sup>

The court’s disapproval of the plaintiff’s *Eveready* survey, however, paled beside that of the defendant’s *Squirt* survey. Rather than display the parties’ marks as they actually appeared in the marketplace, the defendant’s expert exposed survey respondents

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<sup>1955</sup> *Id.* at 128-29.

The court also rejected the plaintiff’s objection to another screening question but without describing that question except to find it not “inherently suggestive.” *Id.* at 129 (quoting *Procter & Gamble Co. v. Ultreo, Inc.*, 574 F. Supp. 2d 339, 352 (S.D.N.Y. 2008)).

<sup>1956</sup> *See Vital Pharms., Inc. v. Monster Energy Co.*, 553 F. Supp. 3d 1180 (S.D. Fla. 2021).

<sup>1957</sup> *Id.* at 1228.

<sup>1958</sup> *Id.* at 1229.

<sup>1959</sup> *Id.*

<sup>1960</sup> *Id.*

only to a computer-generated cooler similar to the following, in which the plaintiff's cans appeared in the top row, while the defendant's appeared in the second row:<sup>1961</sup>



“As one look at this cooler should make plain,” the court observed, “[the expert’s] coolers were leading and infected the entire study with an unacceptable degree of bias.”<sup>1962</sup> To begin with, only the parties’ cans had all-black backgrounds, which led the court to conclude that “[w]ith only two black cans alongside various colored cans, survey participants—like a man picking a black suspect out of an otherwise-white lineup—were far more likely to see some connection between those two black cans.”<sup>1963</sup> “It would be one thing,” the court continued, “if [the] artificial cooler matched, to one degree or another, what consumers might regularly see in the marketplace. But [the plaintiff] has provided no evidence that the market in any way resembles [the] artificial coolers.”<sup>1964</sup> Worse still, the defendant’s survey failed to use separate controls to filter out the “noise” among respondents’ answers, of which the court observed that “[i]f the confusion the participants identified stemmed from some extraneous factor—such as guessing, inattention, or the

<sup>1961</sup> *Id.*

<sup>1962</sup> *Id.* at 1230.

<sup>1963</sup> *Id.*

<sup>1964</sup> *Id.*

use of a suggestive stimulus—that confusion is necessarily irrelevant to our case.”<sup>1965</sup> Finally, and perhaps most damning:

[N]one of these problems is surprising. It came out at trial that, unlike [the defendant’s] expert—who designed his survey independently—[the plaintiff’s expert] conducted his survey with substantial assistance and direction from [the plaintiff’s] attorneys. Thus unhinged from the independence we generally expect in a reliable survey, [the plaintiff’s expert’s] process was unreliable from the start.<sup>1966</sup>

In contrast, a different court gave significant weight to a zero percent net confusion rate documented among respondents to a *Squirt* survey in a dispute between manufacturers of competitive shoes.<sup>1967</sup> Challenging that dramatic result, the plaintiff targeted the survey’s universe, namely, “people who had purchased women’s clogs or open-back shoes in the last year or planned to do so within a year.”<sup>1968</sup> According to the plaintiff, the universe should have comprised women 55 years or old, which was the demographic targeted by both parties. The court found that argument unconvincing for two reasons, the first of which was that “[a]ny further restrictions based on gender or age would be empirically inappropriate.”<sup>1969</sup> “Furthermore, and dispositive of this argument,” it continued, “even if the survey had been limited to [the plaintiff’s] proposed demographic, . . . [t]here were no statistically significant differences in the results when compared among men and women, or by age group.”<sup>1970</sup>

The plaintiff’s second attack focused on the survey’s use of the parties’ websites as stimuli, because, the plaintiff argued, the defendant sold only three percent of its shoes online, with the remainder distributed through third-party retailers, some of whom sold the shoes on their own websites. As factual proposition, the court found, “an accurate calculation reflects that 23%, not 3%, of gross sales in the U.S. for [the defendant’s] shoes occurred via [its] website. Internet-based sales via [the defendant’s] website or the websites of third-party wholesale retailers represented 44% of all U.S. sales of [the defendant’s] shoes.”<sup>1971</sup> “While [the defendant’s] survey did not replicate the exact purchasing experience of every consumer confronting [the defendant’s] shoes in the marketplace,” it continued, “given the multiple modalities of consumption, there

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<sup>1965</sup> *Id.* at 1233 (footnote omitted).

<sup>1966</sup> *Id.* at 1233–34 (citations omitted).

<sup>1967</sup> See *Easy Spirit, LLC v. Skechers U.S.A., Inc.*, 571 F. Supp. 3d 185 (S.D.N.Y. 2021).

<sup>1968</sup> *Id.* at 199, 208.

<sup>1969</sup> *Id.* at 208.

<sup>1970</sup> *Id.*

<sup>1971</sup> *Id.* at 209 (citation omitted).

was no single marketplace to replicate.”<sup>1972</sup> Under the circumstances, the defendant’s survey expert had made

reasonable choices based on his experience and training and on accepted survey techniques - that the source companies’ respective websites would provide the best representation of their shoes, including shoe descriptions and reviews, and that using a third-party website would inappropriately introduce another brand to the question of confusion, having survey respondents instead associate the shoes with, say, Amazon, potentially confounding the survey results.<sup>1973</sup>

The court made short work of the plaintiff’s third and final criticism of the survey, which was respondents had received “modest incentives” to participate.<sup>1974</sup> On that issue, the court credited testimony by the defendant’s expert that “incentives are generally accepted in survey administration of this sort,”<sup>1975</sup> and it additionally determined that “the relevant scientific and academic literature has shown that incentives improve response rates and do not affect data reliability.”<sup>1976</sup> “In sum,” it therefore held, “[the plaintiff’s] asserted flaws provide little, if any, reason to question the reliability of [the defendant’s] survey methodology and results.”<sup>1977</sup>

### ***b. Monetary Relief Experts***

A Minnesota federal district court had the opportunity to clarify the permissible methodology for experts retained to opine on the monetary relief properly due a prevailing plaintiff in the context of a false advertising action in which the plaintiff challenged the reduction of the amount of pepper in the defendant’s containers of that spice without a concomitant resizing of those containers.<sup>1978</sup> One component of the testimony proffered by an expert retained by the plaintiff was a calculation of the plaintiff’s actual damages, which the expert based in part on projected sales by the plaintiff prepared by the plaintiff itself and by Walmart during a trial period in which the plaintiff sold its pepper through Walmart. Although the defendant characterized the expert’s calculations as speculative and unreliable, the court rejected that criticism, finding the sales projections provided a reasonable basis for determining the

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<sup>1972</sup> *Id.*

<sup>1973</sup> *Id.* (citation omitted).

<sup>1974</sup> *Id.*

<sup>1975</sup> *Id.*

<sup>1976</sup> *Id.*

<sup>1977</sup> *Id.*

<sup>1978</sup> See *Watkins Inc. v. McCormick & Co., Inc.*, 574 F. Supp. 3d 644 (D. Minn. 2021), *motion to certify appeal denied*, 579 F. Supp. 3d 1118 (D. Minn. 2022).

plaintiff's claimed lost profits. As it explained, "[t]he [plaintiff and Walmart] established their projections independently and in the ordinary course of business. The projections served internal purposes—inventory management for [the plaintiff] and profit and loss forecasting for Walmart—that incentivized realistic projections."<sup>1979</sup> "Finally," the court concluded, "[the plaintiff's expert] analyzed market conditions, reviewed relevant information and documents, and interviewed employees to verify the reasonableness of the forecasts."<sup>1980</sup>

The court then evaluated the expert's methodology with respect to the plaintiff's alleged actual damages after Walmart declined to continue selling its pepper following the trial period. For that calculation, the expert relied on "[t]he yardstick method[, which] uses a comparable product, company, or industry to determine lost profits resulting from unfair competitive practices."<sup>1981</sup> The comparable product at issue was the plaintiff's vanilla extract, which Walmart *did* sell on a long-term basis. Although acknowledging that "the comparison between vanilla extract and black pepper is not perfect,"<sup>1982</sup> the court found enough similarities between the two to render the former an appropriate yardstick: "First, both products fall into the batters and seasonings category and are purchased by the same Walmart buyer. Second, both products function as staple products for consumers. Third, both products participated in equivalent Walmart tests and competed against [the defendant] as the dominant brand in the market in those tests."<sup>1983</sup>

That left the expert's opinion on the quantum of the plaintiff's profits that properly should be disgorged. On that issue, the defendant argued that the expert had failed to consider whether its profits were attributable to its allegedly false advertising. The court sided with the plaintiff, holding that "[f]or disgorgement of profits, a plaintiff need only show the defendant's 'sales of the allegedly falsely advertised products,' after which the burden shifts to the defendant to prove 'any costs or deductions.'"<sup>1984</sup> The expert's methodology therefore was sound and his report admissible with respect to the requested accounting.

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<sup>1979</sup> *Id.* at 654.

<sup>1980</sup> *Id.*

<sup>1981</sup> *Id.*

<sup>1982</sup> *Id.* at 655.

<sup>1983</sup> *Id.* at 654–55.

<sup>1984</sup> *Id.* at 656 (quoting *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 819 (D. Minn. 2011)).

*c. Other Experts*

A New York federal district court addressed the admissibility of expert testimony on the distinctiveness of the plaintiff's claimed trade dress, which, for purposes of the testimony, covered the claimed trade dress's secondary meaning and its fame.<sup>1985</sup> Seeking to exclude testimony from a witness retained by the plaintiff, the defendant argued the witness had: (1) failed to use a scientific methodology; (2) made lay conclusions, thereby usurping the role of the factfinder; and (3) reached conclusions based on unreliable, incomplete, and biased data.

With respect to the first of these criticisms, the court noted that "[the witness's] decision to forego a survey on an issue on which it stood to be impactful and reliable is striking and curious—and opens [the plaintiff] to the critique that his conclusions are unacceptably impressionistic."<sup>1986</sup> Nevertheless, it credited the witness's testimony that he had relied on "evidence supplied by counsel," including sales and revenue figures, and academic studies to conclude that the plaintiff's claimed trade dress was both distinctive and famous.<sup>1987</sup> According to the court:

Nothing in [the witness's] report suggests speculation, conjecture, or bad faith. He relies on established academic authorities to explain the concept of branding elements, the different types of branding elements (such as packaging), how companies' investment and branding strategies can foster consumer associations between those branding elements and the brand, and how, based on those associations, a branding element can acquire distinctiveness. [The witness] then applies this framework to media reports, statistical reports, and advertisements across several decades bearing on the [plaintiff's trade dress]. Much, though not all, of this he found through independent research. [The witness] draws a moderate conclusion from his analysis: that the evidence is "consistent with" or "suggests" that the Pouch Trademark is "likely" famous.<sup>1988</sup>

The court next rejected the defendant's second criticism, which was that the witness's testimony would usurp the factfinder's role. Parsing that testimony closely, the court noted that the testimony did not opine that the plaintiff's trade dress *was* famous or *had* acquired distinctiveness but instead only that, the evidence was

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<sup>1985</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>1986</sup> *Id.* at 132.

<sup>1987</sup> *Id.*

<sup>1988</sup> *Id.* at 132–33 (citation omitted).

consistent with findings to that effect. Rather than track the exact language of Section 43(c) or use “judicially defined terms,” the court found, the “vast majority” of the witness’s report “analyzes data and other evidence and evaluates it through the prism of marketing terminology drawn from literature in the field—e.g., ‘top-of-mind awareness,’ ‘consumer associations,’ ‘brand recognition’—or common usage—e.g., ‘recognition,’ ‘awareness,’ ‘strong connection.’”<sup>1989</sup> Finally, because “it would be by no means obvious to a lay juror how and in what manner household penetration studies, sales figures, or ad spots speak to fame or distinctiveness,” the witness had drawn admissible inferences that would not be apparent without his experience or specialized knowledge.<sup>1990</sup>

That left the defendant’s third criticism of the witness’s proposed testimony, namely, that it was unreliable, incomplete, and rested on biased data. The gravamen of that criticism was that the witness had relied too heavily on materials forwarded to him by the plaintiff’s counsel, but the court found it wanting for two separate and independent reasons. The first was the general proposition that experts are entitled to rely on data they do not personally collect. The second was that the witness had “conducted significant independent research for his report,” even to the point of requesting additional materials from the defendant’s counsel.<sup>1991</sup> “Here,” the court concluded, “[the witness] disclosed the basis for his report, which included but was not limited to voluminous records produced by the party that retained him, supplemented these records with independently obtained materials, and invited the litigation adversary to furnish him with other apposite records.”<sup>1992</sup> His testimony therefore was admissible, subject to cross-examination by the defendant.

At the same time, the same court also allowed in part and excluded in part testimony by a rebuttal expert retained by the defendant. That witness opined that the plaintiff’s expert had produced a “fundamentally unreliable and invalid” report because he had neglected to undertake “basic steps in every analysis of a brand’s fame and secondary meaning.”<sup>1993</sup> Specifically, the plaintiff’s expert had allegedly failed to: (1) “define and outline the relevant product category (pouched juice drinks), the major players in it, and its strategic landscape”;<sup>1994</sup> (2) analyze the significance of the plaintiff’s claimed brand in consumers’ minds;<sup>1995</sup> (3) account for

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<sup>1989</sup> *Id.* at 133.

<sup>1990</sup> *Id.* at 134.

<sup>1991</sup> *Id.*

<sup>1992</sup> *Id.* at 135.

<sup>1993</sup> *Id.* at 136.

<sup>1994</sup> *Id.*

<sup>1995</sup> *Id.*



the plaintiff's efforts to build the brand and consumers' responses to those efforts;<sup>1996</sup> and (4) "understand whether and how a brand's strength translates into consumer awareness, associations, and preferences."<sup>1997</sup> Although generally dismissing the plaintiff's "lame" and "strikingly un-self-aware" criticisms of the witness's qualifications and testimony,<sup>1998</sup> the court did bar the witness from testifying on the evidentiary significance of a federal registration secured by the plaintiff and whether that created a presumption of secondary meaning; it likewise rejected portions of the witness's proposed testimony "purporting to guide application of the gatekeeping *Daubert* standard."<sup>1999</sup>

In contrast, a second court disposed of the report of a proffered expert by disregarding it in its entirety.<sup>2000</sup> That report opined that the use on which the defendant relied was both "minimal and ornamental" and therefore did not give the defendant priority of rights. At least as set forth in the report, the witness's credentials did not impress the court:

[The plaintiff] does not include the proposed expert's resume or curriculum vitae. Instead, [the plaintiff] relies on the proposed expert's report itself. But the report does little more than state the proposed expert has experience working in the USPTO for seven years from 1980 to 1987, and in private legal practice after 1987. But these general statements, which do not even make clear whether the proposed expert is an attorney or another type of trademark practitioner, are not enough for the Court to determine whether the proposed expert is indeed qualified to offer his opinion. Inclusion of a resume would have allowed for the Court to make a more thorough determination as to his credentials.<sup>2001</sup>

Beyond that, the witness's conclusions regarding de minimis use and ornamentality comprised impermissible legal conclusions.<sup>2002</sup>

## 2. Admissibility of Other Evidence

Courts took judicial notice of various categories of evidence. For example, some considered parties' claims in the USPTO, despite those parties' apparent failure to make their claims a matter of

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<sup>1996</sup> *Id.*

<sup>1997</sup> *Id.*

<sup>1998</sup> *Id.* at 139.

<sup>1999</sup> *Id.* at 142.

<sup>2000</sup> *See* TWD, LLC v. Grunt Style LLC, 598 F. Supp. 3d 676 (N.D. Ill. 2022).

<sup>2001</sup> *Id.* at 685.

<sup>2002</sup> *Id.*

record;<sup>2003</sup> thus, for one court taking that approach, all that was necessary was a declaration from counsel describing the agency records in question.<sup>2004</sup> Another court took judicial notice of a defendant's packaging on a motion to dismiss, reasoning that the frequent references to it in the plaintiff's complaint justified that action.<sup>2005</sup> Additional judicially noticed materials included whois domain name registration data,<sup>2006</sup> the outcome of judicial proceedings in another case,<sup>2007</sup> and "certain aspects of the version of the 2002 National Electrical Safety Code (NESC)."<sup>2008</sup>

Outside the context of judicial notice, a notable opinion bearing on evidentiary issues turned on Federal Rule of Civil Procedure 32(a)(4)(B), which permits the proffer of a witness's deposition testimony "for any purpose" if the witness is unavailable because the witness resides "more than 100 miles from the place of hearing or trial or is outside the United States, unless it appears that the witness's absence was procured by the party offering the deposition."<sup>2009</sup> That rule assumed center stage in an appeal to the Fifth Circuit after a district court interpreted the 100-mile reference to mean the distance between the witness's domicile and the federal courthouse in which a trial was held.<sup>2010</sup> According to the defendants, who believed themselves victimized by that interpretation, the district court should have excluded the deposition testimony of a witness who lived within 100 miles of the federal district in question, even if not within that distance from the courthouse. The issue was complicated by the transfer of the case within that district after the deposition and the defendants' claim that, had they known the witness would be 100 miles away from the courthouse at the time of trial, they would have cross-examined him during the deposition, which they chose not to do in favor of doing so at trial. Faulting the defendants for having failed to raise the

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<sup>2003</sup> See *Savage Tavern, Inc. v. Signature Stag, LLC*, 589 F. Supp. 3d 624, 644–45 (N.D. Tex. 2022) (judicial notice of USPTO's processing of plaintiff's application); *Thurber v. Finn Acad.*, 583 F. Supp. 3d 437, 442 n.1 (W.D.N.Y. 2022) (judicial notice of plaintiff's claims in USPTO); *Kid Car NY, LLC v. Kidmoto Techs. LLC*, 518 F. Supp. 3d 740, 752 (S.D.N.Y. 2021) (same); *Carr v. Miss. Lottery Corp.*, 350 So. 3d 1068, 1075–76 (Miss. 2022) (same).

<sup>2004</sup> *Moran v. Edie Parker, LLC*, 563 F. Supp. 3d 671, 677 (E.D. Mich. 2021) (judicial notice of defendants' claims).

<sup>2005</sup> See *Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC*, 552 F. Supp. 3d 901, 920 (N.D. Cal. 2021).

<sup>2006</sup> See *Mehdiyev v. Qatar Nat'l Tourism Council*, 532 F. Supp. 3d 1065, 1072 n.4 (D. Colo. 2021).

<sup>2007</sup> See *Lewis v. Acuity Real Est. Servs., LLC*, 597 F. Supp. 3d 1154, 1157 n.3 (E.D. Mich. 2022), *appeal docketed*, No. 22-1406 (6th Cir. May 6, 2022).

<sup>2008</sup> See *Am. Soc'y for Testing & Materials v. Public.Resource.Org, Inc.*, 597 F. Supp. 3d 213, 225 (D.D.C. 2022), *appeal docketed*, No. 22-7063 (D.C. Cir. Apr 29, 2022).

<sup>2009</sup> Fed. R. Civ. P. 32(a)(4)(B).

<sup>2010</sup> See *Spectrum Ass'n Mgmt. of Tex., L.L.C. v. Lifetime HOA Mgmt. L.L.C.*, 5 F.4th 560 (5th Cir. 2021).

issue on a timely basis before the district court, the court of appeals declined to overturn the admission of the testimony as an abuse of discretion in light of its concomitant conclusion that the location of the courthouse, and not the geographic boundaries of the federal district at issue, was the appropriate point of reference.<sup>2011</sup>

## ***F. Trademark- and Service Mark-Related Transactions***

### **1. Interpretation and Enforcement of Assignments**

Without a doubt, the most interesting examination of past trademark-related transactions arose from a lawsuit in which the successor in interest to a distillery founded in 1836 by a sixteen-year-old bourbon pioneer named J.S. Dant challenged a competitor founded by Dant's current-day descendants.<sup>2012</sup> Responding to the plaintiff's claim to own various marks based on Dant's name, the defendant invoked a provision in Dant's will asking that "no whiskey subsequently made be branded with my name."<sup>2013</sup> According to the defendant, the decision by one of Dant's sons to disregard the will's instructions and to continue producing J.W. DANT-branded whiskey after his father's death rendered the plaintiff's acquisition of those marks invalid. That argument failed to preclude the grant of the plaintiff's preliminary injunction motion by the court, which, citing to a circa-1960 decision discussing the chain of title for the marks,<sup>2014</sup> found that "[f]rom [the 1950s] forward, no one seriously contests the transactional chain leading to [the plaintiff]."<sup>2015</sup>

That was not the only opinion to reach a finding of priority based on a less-than-compelling chain of title, at least one in writing. Another successfully defended assignment was in the nature of a nunc pro tunc one coupled with a license back to the assignor.<sup>2016</sup> Attempting to fend off a preliminary injunction against their continued infringement of the assigned mark, a group of defendants argued that it "highly unusual" that the assignment was backdated by seven years. The court, however, was in no mood to entertain that contention seriously, holding instead that "[b]ecause the assignment is in writing and transfers to the plaintiff all of [the assignor's]

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<sup>2011</sup> *Id.* at 364–65.

<sup>2012</sup> *See* Heaven Hill Distilleries, Inc. v. Log Still Distilling, LLC, 575 F. Supp. 3d 785 (W.D. Ky. 2021).

<sup>2013</sup> *Id.* at 796.

<sup>2014</sup> *See* John P. Dant Distillery Co. v. Schenley Distillers, Inc., 189 F. Supp. 821 (W.D. Ky. 1960), *aff'd*, 297 F.2d 935 (6th Cir. 1962).

<sup>2015</sup> *Heaven Hill Distilleries*, 575 F. Supp. 3d at 805.

<sup>2016</sup> *See* Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc., 581 F. Supp. 3d 460 (E.D.N.Y. 2021).

ownership interest in the [infringed] [m]ark, the assignment was valid.”<sup>2017</sup>

A final chain of title, which was successfully invoked by a defendant accused of infringement, had no written component at all.<sup>2018</sup> The predecessor of that defendant was a Georgia corporation, the principal of which dissolved it administratively before organizing the defendant as an Illinois corporation. The absence of an express assignment between the two organizations did not preclude a finding as a matter of law that the defendant had succeeded to the rights of the Georgia corporation under an application of a fourth-part test, under which, the court held:

[O]ne company is the successor of another: “(1) where there is an express or implied agreement of assumption; (2) where the transaction amounts to a consolidation or merger of the seller corporation; (3) where the purchaser is merely a continuation of the seller; or (4) where the transaction is for the fraudulent purpose of escaping liability for the seller’s obligation.”<sup>2019</sup>

Granting the defendant’s motion for summary judgment on the issue, the court found it undisputed that defendant was founded within a week of the Georgia corporation’s dissolution, that both companies had the same principal, and that the defendant had fulfilled orders taken by its predecessor. “Thus,” the court held, “[the defendant] is the successor to [the Georgia corporation], and any common law trademark rights owned by [the Georgia corporation] were impliedly assigned to [the defendant].”<sup>2020</sup>

In contrast, the claimed assignment at issue in another case turned out not to be an assignment at all.<sup>2021</sup> Seeking to establish its ownership of a disputed mark, the plaintiff secured a circa-2018 declaration from the principal of its putative predecessor reciting that he had assigned the North American rights to the mark and associated goodwill to the plaintiff in “2005 or 2006.” In 2020, however, the same witness executed another declaration in which he expressly denied having made such an assignment; he then wrote to one of the defendants asserting that “[i]f I had assigned something to [the plaintiff’s principal], then this would certainly have been done in writing.”<sup>2022</sup> On the defendants’ motion for summary judgment, the court found as a matter of law that no assignment had occurred: “[T]he law requires clear and unequivocal

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<sup>2017</sup> *Id.* at 471–72.

<sup>2018</sup> *See* TWD, LLC v. Grunt Style LLC, 598 F. Supp. 3d 676 (N.D. Ill. 2022).

<sup>2019</sup> *Id.* at 686 (quoting Playboy Enters. Int’l, Inc. v. Smartitan (Singapore) PTE Ltd., 804 F. Supp. 2d 730, 735 (N.D. Ill. 2011)).

<sup>2020</sup> *Id.*

<sup>2021</sup> *See* Gerlach, Inc. v. Gerlach Maschinenbau GmbH, 592 F. Supp. 3d 634 (N.D. Ohio 2022).

<sup>2022</sup> *Id.* at 639.

evidence of the intent to assign. And the record here does not permit a reasonable finder of fact to determine there was an oral assignment of the . . . trademark rights.”<sup>2023</sup>

## 2. Interpretation and Enforcement of Licenses

A dispute over the proper interpretation of a license arose in an action brought by a plaintiff that sold juice products in foil pouches against a supplier of allegedly confusingly similar pouches to competitors of the plaintiff.<sup>2024</sup> The defendant initially manufactured its pouches under a license from the plaintiff prohibiting either party, in the event of a dispute relating to the license, from recovering “for any consequential, indirect, punitive, incidental or special damages, including lost profits . . . arising from any cause of action whatsoever, including those based upon contract, warranty, strict liability or negligence, related to this agreement or any breach thereof.”<sup>2025</sup> When the defendant unilaterally terminated the license in favor of selling modified pouches without paying royalties to the plaintiff, the plaintiff filed suit for infringement, various forms of unfair competition, and breach of contract. In the process, it requested both an award of its actual damages and an accounting of the defendant’s profits, but the court whittled that prayer for relief down to the recovery of potential lost royalties on the defendant’s motion for summary judgment. According to the court’s reading of the salient language, the possible recovery of the defendant’s profits would constitute “indirect . . . damages” barred by that language. Because the lawsuit at hand “related to” the agreement, the plaintiff’s attempted recovery of those indirect damages was without merit as a matter of law.<sup>2026</sup>

## 3. Interpretation and Enforcement of Settlement Agreements

To resolve an infringement and unfair competition action between purveyors of competing ear plugs, the parties entered into a consent decree entered by the Michigan federal district court assigned to the case, which prohibited the defendant from selling its goods in the “Retail Market,” while confirming the defendant’s ability to do so in “the Industrial Safety Market and elsewhere,

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<sup>2023</sup> *Id.* at 642.

<sup>2024</sup> See *Capri Sun GmbH v. Am. Beverage Corp.*, 595 F. Supp. 3d 83 (S.D.N.Y. 2022), *motion to certify appeal denied*, No. 19 Civ. 1422 (PAE) (VF), 2022 WL 3137131 (S.D.N.Y. Aug. 5, 2022).

<sup>2025</sup> *Id.* at 192 (alteration in original).

<sup>2026</sup> *Id.* at 194–95.

except as expressly agreed.”<sup>2027</sup> The settlement did not, however, anticipate the impending emergence of the Internet as a channel of distribution, and it therefore was silent on that issue. By 2009, a successor in interest to the original defendant had begun to sell its goods on Amazon, which prompted the plaintiff to accuse it of violating the consent decree’s prohibition on sales in the retail market.

Affirming a decision to identical effect by the district court, the Sixth Circuit held that the defendant was indeed in breach:

This issue boils down to whether a retail website, like Amazon, is a “retail establishment” under the Decree. It is. Michigan gives a contract’s undefined terms the plain and ordinary meaning that would be apparent to a reader of the instrument. And the plain and ordinary meaning of “retail establishment” reaches Amazon and similar websites. First, the consent decree explicitly classifies “mass merchandisers”—companies like Walmart, Target, and Meijer—as “retail establishments.” Amazon competes directly with these companies. Second, and together with “mass merchandisers,” the consent decree lists “sporting goods stores,” and the “Drug and Grocery Market” as examples of “retail establishments.” Retail shoppers go to each of these places to purchase goods for personal use. They do the same on Amazon. Third, “retail establishments” are not limited to brick-and-mortar stores. The parties explicitly defined the “Retail Market” as “all retail establishments including the D[r]ug and Grocery Market, sporting goods stores and mass merchandisers.” That construction is illustrative, not exhaustive. So a retail website is a “retail establishment.”<sup>2028</sup>

The court then addressed arguments by the defendant to the contrary. One was apparently that the retail market consisted only of brick-and-mortar establishments, which the court rejected because “nothing in the consent decree limits the term ‘retail establishments’ to brick-and-mortar storefronts. To the contrary, ‘any distributor or supplier’ who services the ‘Drug and Grocery Market’ is a ‘retail establishment’ by the consent decree’s explicit terms.”<sup>2029</sup> Another was that “because some manufacturing entities buy supplies on Amazon, Amazon is part of the Industrial Supply Market,”<sup>2030</sup> which fell short because “nothing in the record below establishes that Amazon meets the consent decree’s definition of

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<sup>2027</sup> See *McKeon Prods., Inc. v. Howard S. Leight & Assocs., Inc.*, 15 F.4th 736, 739 (6th Cir. 2021).

<sup>2028</sup> *Id.* at 745 (alteration in original) (citations omitted).

<sup>2029</sup> *Id.* at 746.

<sup>2030</sup> *Id.*

‘Industrial Safety Market’”<sup>2031</sup> and because that argument “effectively redefines the Industrial Safety Market as everywhere [the defendant] makes [its goods] available and then some manufacturing entities buy them. [The plaintiff] bargained for more than that.”<sup>2032</sup>

That left “one loose end to tie up,” which was the significance of the words “or elsewhere” in the “Industrial Safety Market or elsewhere” in which the defendant could sell its goods. The court resolved that issue as well in the plaintiff’s favor, holding that “[t]he ‘or elsewhere’ savings clause reserves [the defendant’s] ability to sell to non-retail business[es].”<sup>2033</sup> That language teed up the following question and answer: “Might Amazon and other websites fall into the ‘or elsewhere’ clause reserved to [the defendant]?” [The plaintiff] argues that this provision contemplates direct sales of [the defendant’s] earplugs to corporate consumers, like hotels, hospitals, or airlines. We agree.”<sup>2034</sup> The defendant therefore was in breach of the consent decree.

### ***G. The Relationship Between the Lanham Act and Other Statutes***

#### **1. The Food, Drug, and Cosmetic Act**

A false advertising dispute between the manufacturer of FDA-approved prescription-strength lidocaine pain-relief patches, on the one hand, and two sellers of over-the-counter pain-relief patches, on the other,<sup>2035</sup> led to a successful motion to dismiss on the theories that the plaintiff had failed adequately to aver the existence of a false representation by the defendants and that the plaintiff’s suit was an improper private enforcement action under the Food, Drug, and Cosmetic Act (FDCA).<sup>2036</sup> The plaintiff accused the defendants of falsely claiming that their patches were FDA-approved, but it neglected to identify any affirmative representations to that effect by the defendants; instead, the court concluded, the plaintiff grounded its theory of falsity in the proposition that the mere presence of the defendants’ patches in the marketplace constituted a representation of agency approval. Granting a defense motion to dismiss, the court held that “allowing a Lanham Act claim to proceed where a plaintiff does not point to any statement or representation in the defendants’ advertising declaring FDA

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<sup>2031</sup> *Id.*

<sup>2032</sup> *Id.*

<sup>2033</sup> *Id.*

<sup>2034</sup> *Id.*

<sup>2035</sup> See *Scilex Pharms. Inc. v. Sanofi-Aventis U.S. LLC*, 552 F. Supp. 3d 901 (N.D. Cal. 2021).

<sup>2036</sup> Pub. L. No. 75-717, §§ 1-902, 52 Stat. 1040 (1938) (codified as amended at 21 U.S.C. §§ 301-397 (2012)).

approval or review . . . would, in effect, allow the plaintiff to use the Lanham Act as a vehicle by which to enforce the [FDCA.]”<sup>2037</sup> Moreover, it held “[t]he same is true for any claim that [Plaintiff] might make that Defendants are required to indicate in their labels or advertisements the specific uses the FDA has approved OTC lidocaine patches be used for.”<sup>2038</sup> Finally, it reached the same outcome with respect to certain affirmative representations found on the defendants’ packaging.<sup>2039</sup>

## 2. The Communications Decency Act of 1996

As has been increasingly the case in recent years, providers of online services accused of various torts invoked Section 230 of the Communications Decency Act, which provides that “[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”<sup>2040</sup> One such provider asserting Section 230 as a defense was Ancestry.com, which did so unsuccessfully in two separate cases arising from closely similar facts. The complaint in the first case accused Ancestry of using information harvested from the plaintiff’s high-school yearbook in promotional advertising that exposed potential customers a limited version of the plaintiff’s record (including a low-resolution photograph) with a promotional pop-up advertisement promising access to the plaintiff’s identity and likeness with a paid subscription.<sup>2041</sup> Ancestry claimed that it had merely reposted the plaintiff’s information within the meaning of the CDA, but, as the court noted, “Plaintiff has alleged that Ancestry collected and organized records and subsequently used Plaintiff’s and the putative class members’ names, likenesses, and identities in these records they curated for commercial gain.”<sup>2042</sup> Ancestry there was not entitled to the dismissal of the plaintiff’s case for failure to state a claim.

Ancestry’s second unsuccessful bid for CDA immunity came in a closely similar lawsuit brought by a group of plaintiffs claiming violations of their right of publicity under Nevada law.<sup>2043</sup>

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<sup>2037</sup> *Scilex Pharms.*, 552 F. Supp. 3d at 917 (alterations in original) (quoting *Mylan Lab’y, Inc. v. Matkari*, 7 F.3d 1130, 1139 (4th Cir. 1993)).

<sup>2038</sup> *Id.* at 918.

<sup>2039</sup> *Id.* at 920 (“[A]ny determination regarding Defendants’ compliance with FDA regulations is for the FDA.”).

<sup>2040</sup> 47 U.S.C. § 230(c)(1) (2018).

<sup>2041</sup> *See Bonilla v. Ancestry.com Operations Inc.*, 574 F. Supp. 3d 582 (N.D. Ill. 2021).

<sup>2042</sup> *Id.* at 592.

<sup>2043</sup> *See Sessa v. Ancestry.com Operations Inc.*, 561 F. Supp. 3d 1008 (D. Nev. 2021), *stay granted*, No. 2:20-cv-02292-GMN-BNW, 2022 WL 18108426 (D. Nev. Jan. 18, 2022), *appeal dismissed*, No. 21-16618, 2022 WL 4598091 (9th Cir. Apr. 14, 2022).



Consistent with the allegations in the first case, the gravamen of those plaintiffs' complaint was that Ancestry had procured their names, images, likenesses, and personal information from school yearbooks published in the state between 1900 and 1999 and then using those items in pop-up and targeted advertisements featuring the plaintiffs. In denying Ancestry's motion to dismiss, the second court applied the Ninth Circuit's three-part test for determining the applicability of Section 230: "Immunity exists for, '(1) a provider or user of an interactive computer service[;] (2) whom a plaintiff seeks to treat, under a state law cause of action, as a publisher or speaker[;] (3) of information provided by another information content provider.'"<sup>2044</sup> It then held the defense unavailable based on Ancestry's failure to satisfy the third prong of the relevant analysis because "while the yearbook publishers originated the content that Ancestry used to create its database, and the yearbooks were provided by third parties, Ancestry alone is responsible for posting the material on its website after it receives the records from others."<sup>2045</sup> Moreover, even if Section 230 immunity otherwise applied, "the Court cannot grant dismissal based on the facts alleged in the Complaint because it is unclear whether the yearbook providers—the 'information content providers' who are 'responsible . . . for the creation or development' of the yearbooks—consented to the information's publication on the internet."<sup>2046</sup> The plaintiffs' case therefore survived the pleadings stage.

The same outcome held in a second application of the Ninth Circuit test for CDA immunity.<sup>2047</sup> The defendant claiming that immunity provided online information on particular individuals, which it aggregated from various sources; the defendant then advertised paid subscriptions to that information using "'teasers'—profiles of real people with some information redacted."<sup>2048</sup> The defendant's motion to dismiss failed under the third requirement of the relevant test, namely, that it post only information provided by another information content provider. According to the court's reading of the plaintiff's complaint, "[the defendant] is not alleged to merely host *user-generated* content, it is alleged to actively take content from other sources, curate it, and upload it to its site in a novel configuration for repurposed uses. That makes it at least 'in

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<sup>2044</sup> *Id.* at 1027 (alterations in original) (quoting *Barnes v. Yahoo!, Inc.*, 570 F.3d 1096, 1100–01 (9th Cir. 2009)).

<sup>2045</sup> *Id.* at 1027–28.

<sup>2046</sup> *Id.* at 1028 (alterations in original) (quoting *Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1162 (9th Cir. 2008) (en banc)).

<sup>2047</sup> See *Kellman v. Spokeo, Inc.*, 599 F. Supp. 3d 877 (N.D. Cal. 2022), *motion to certify appeal denied*, No. 3:21-cv-08976-WHO, 2022 WL 2965399 (N.D. Cal. Jul. 8, 2022).

<sup>2048</sup> *Id.* at 884.

part’ responsible for the ‘creation and development’ of this material.”<sup>2049</sup>

In contrast, a third court applying the Ninth Circuit’s three-part test proved receptive to a CDA-based motion to dismiss.<sup>2050</sup> It addressed accusations of misconduct arising from the sale of goods featuring allegedly counterfeit and infringing marks and trade dresses on Redbubble’s e-commerce platform. The allegations in the plaintiffs complaint left little doubt that Redbubble provided an interactive computer service and that it was a publisher or speaker of information, thereby satisfying the first two requirements for immunity. The plaintiff contested the third requirement, but the court held it satisfied as well after concluding that Redbubble’s provision of its platform, processing of orders, arranging for the manufacture of the goods challenged by the plaintiff, controlling customer service, and collecting “a significant portion of [the] profits” did not qualify Redbubble as an information content provider or an author within the meaning of Section 230.<sup>2051</sup>

## *H. Insurance-Related Issues*

### 1. Opinions Ordering Coverage

When the operator of two nightclubs used photographs of models to promote its services without the models’ authorization, it found itself on the receiving end of a lawsuit and sought coverage for the defense of the claims against it, which included those for common-law invasion of privacy by appropriation, a violation of the Ohio Deceptive Trade Practices Act,<sup>2052</sup> and a violation of the Lanham Act.<sup>2053</sup> On the parties’ cross-motions for judgment on the pleadings, the court held that one of the two plaintiffs in the underlying action had stated a claim for defamation under Ohio law because she had alleged that:

(1) [the insured] made a false statement of fact in its advertisement (by insinuating that she was affiliated with [the insured’s clubs]); (2) the statement was defamatory (in that it implied that she was endorsing a disreputable business); (3) the statement was published (on the [clubs’] Facebook advertisement); (4) she suffered injury as a proximate result of the publication (damage to her reputation); and (5) [the insured] acted with the requisite

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<sup>2049</sup> *Id.* at 898 (quoting *Fair Hous. Council of San Fernando Valley v. Roommates.Com, LLC*, 521 F.3d 1157, 1162 (9th Cir. 2008) (en banc)).

<sup>2050</sup> *See* *YZ Prods., Inc. v. Redbubble, Inc.*, 545 F. Supp. 3d 756 (N.D. Cal. 2021).

<sup>2051</sup> *Id.* at 769.

<sup>2052</sup> Ohio Rev. Code §§ 4165.01 et seq.

<sup>2053</sup> *See* *AIX Specialty Ins. Co. v. Big Limo, Inc.*, 547 F. Supp. 3d 757 (S.D. Ohio 2021).

intent in publishing the statement (by intentionally using her image to promote its business).<sup>2054</sup>

The court then held those allegations triggered an obligation to defend the action, explaining that, “[b]ecause the insurance policy covers ‘personal and advertising injury’ arising out of ‘[o]ral or written publication, in any manner, of material that slanders or libels a person or organization,’ the Court concludes that [the carrier] has a duty to defend [the insured] against all of the claims asserted by [the plaintiff] in the Underlying Lawsuit.”<sup>2055</sup> In contrast, however, it also noted that “[t]he Court expresses no opinion at this time on whether [the carrier] will have a duty to *indemnify* [the insured] should [the plaintiff] prevail on any of her claims at trial.”<sup>2056</sup>

## 2. Opinions Declining to Order Coverage

One claim for coverage proved so deficient that the insureds asserting it failed to make it out of the starting gate.<sup>2057</sup> Accused by the Georgia Attorney General of violating that state’s Fair Business Practices Act<sup>2058</sup> through various unfair and deceptive trade practices, the insureds sought coverage under a clause in their policy referencing “claims against you alleging a negligent act, error, or omission in your professional services . . . , including but not limited to . . . personal and advertising injury.”<sup>2059</sup> The problem was an exclusion from coverage of any claim “based upon or arising out of any actual or alleged . . . deceptive or misleading advertising.”<sup>2060</sup> Granting the carrier’s motion to dismiss, the court held that “the policy unequivocally excludes defense and indemnification coverage for the claims at issue under the Deceptive Trade Practices Exclusion”;<sup>2061</sup> it therefore was unnecessary to address the possible applicability of another exclusion invoked by the carrier, namely, one applicable to allegedly intentional acts.<sup>2062</sup>

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<sup>2054</sup> *Id.* at 765–766 (footnote omitted).

<sup>2055</sup> *Id.* at 768 (second alteration in original) (citation omitted).

<sup>2056</sup> *Id.*

<sup>2057</sup> *See, e.g., id.* at 763 (granting carrier’s motion for judgment on the pleadings based on torts in underlying case having occurred prior to effective date of policies at issue).

<sup>2058</sup> Ga. Code Ann. §§ 10-1-390 *et seq.*

<sup>2059</sup> *See Elite Integrated Med., LCC v. Hiscox, Inc.*, 553 F. Supp. 3d 1307, 1317 (N.D. Ga. 2021), *aff’d*, No. 21-13151, 2022 WL 1740098 (11th Cir. May 31, 2022) (emphasis omitted).

<sup>2060</sup> *Id.* at 1319–20.

<sup>2061</sup> *Id.* at 1320.

<sup>2062</sup> *Id.* at 1321.

Despite the usual presumptions in favor of the insured before it,<sup>2063</sup> a Colorado federal district court applying the law of that state rejected a bid for coverage of the defense of a suit in the Western District of Washington grounded in the insureds' use of the KONA mark for coffee. The gravamen of the challenge to that use in the underlying litigation was that the mark inaccurately depicted the insureds' coffee as having been grown in the Kona District of the Big Island of Hawaii. According to the plaintiffs in that action, the insureds had "wrongfully profited from the goodwill and reputation associated with the geographic region of Kona by passing off ordinary commodity coffee as 'Kona' coffee," which injured Kona farmers by having excessive supply which drives prices down and by causing consumers to conclude that Kona coffee is 'nothing special.'"<sup>2064</sup> The plaintiffs asserted a single cause of action under Section 43(a), but it covered the theories that the insureds' conduct constituted (1) false designation of origin, (2) false advertising, and (3) unfair competition.

The insureds sought coverage for the defense of the underlying action under advertising injury and personal injury clauses in their policies, which the court summarized in the following manner:

[T]o fall within "advertising injury," the . . . plaintiffs [in the underlying action] must allege an offense where (1) [the insureds'] published material in [their] "advertisement" (2) that disparages the . . . plaintiffs' goods or products. To fall within "personal injury," [the] plaintiffs must allege an offense where (1) [the insureds'] published material (2) that disparages the . . . plaintiffs' goods or products.<sup>2065</sup>

Drawing upon definitions of disparagement under Colorado and Washington law, the court found as a matter of law that the insureds' use of the KONA mark failed to qualify as disparagement within the meaning of the policies:

[The insureds'] publication of "Kona" coffee does not disparage Kona farmers . . . . Instead, the Court finds [the insureds'] alleged false statement that its products contain Kona coffee which allegedly impugns or is derogatory to

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<sup>2063</sup> See *Travelers Indem. Co. of Am. v. Luna Gourmet Coffee & Tea Co. LLC*, 533 F. Supp. 3d 1013, 1019 (D. Colo. 2021) ("In determining whether a duty to defend exists, Colorado applies the so-called 'complaint rule.' That rule 'operates to cast a broad net, such that when the underlying complaint alleges *any facts* or claims that *might* fall within the ambit of the policy, the insurer must tender a defense.' 'Where general language in an insurance contract is undefined or is otherwise ambiguous, [courts] construe it against the insurer and interpret it according to its plain and ordinary meaning.' This meaning can be ascertained by considering definitions in dictionaries and case law." (first quoting *Chavez v. Ariz. Auto. Ins. Co.*, 947 F.3d 642, 646 (10th Cir. 2020); and then quoting *Thompson v. Md. Cas. Co.*, 84 P. 3d 496, 502 (Colo. 2004)).

<sup>2064</sup> *Id.* at 1016.

<sup>2065</sup> *Id.* at 1022.

coffee from the Kona District, which then allegedly impugns Kona farmers' products or goods because they are made from Kona coffee is too remote to constitute disparagement within the meaning of the Policies or the element of the claim under Colorado or Washington law.<sup>2066</sup>

The court then addressed the insureds' attempt to claim coverage under a separate provision of one of their policies referencing the alleged infringement of a "slogan." Although rejecting the carriers' argument that a slogan could not consist of a single word, the court concluded from the complaint in the underlying action that the plaintiffs did not claim propriety rights in the word "Kona" as a slogan but instead sought "to protect the use of 'Kona' as the [geographic] source identifier—the Kona District—of their coffee."<sup>2067</sup> Under the circumstances, it therefore was unnecessary to address the carriers' invocation of various exclusions in the policies at issue;<sup>2068</sup> instead, summary judgment in the carrier's favor was appropriate.<sup>2069</sup>

The same result held in the bid for coverage of several insureds accused of using a trademark and domain name despite a contractual obligation to allow the plaintiff in the underlying action to acquire them.<sup>2070</sup> Those accusations included allegations that the insureds also had advertised and sold "knock-off" goods secured from a third party under the disputed mark, that they had falsely advertised those goods as "100% original," and that they had intended to pass off the third-party-procured goods as those of the plaintiff.<sup>2071</sup> The advertising-related causes of action led the insureds to seek coverage under an advertising injury clause referencing the copying of an "advertising idea" or of a style of advertisement. Unfortunately for the insureds, however, the court held in an application of Utah law that the allegations in the underlying action failed to accuse the insureds of such copying.<sup>2072</sup> Worse still for the insureds, the policy contained exclusions of coverage for the defense of actions claiming injury: (1) "[a]rising out

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<sup>2066</sup> *Id.* at 1023–24.

<sup>2067</sup> *Id.* at 1025.

<sup>2068</sup> *Id.*

<sup>2069</sup> *Id.* at 1026.

<sup>2070</sup> *See* *Derma Pen, LLC v. Sentinel Ins. Co.*, 545 F. Supp. 3d 1177 (D. Utah 2021).

<sup>2071</sup> *Id.* at 1183–84.

<sup>2072</sup> According to the court:

[T]he Policy specifically excludes from the definition of "advertisement" "[t]he design, printed material, information or images contained in, on or upon the packaging or labeling of any goods or products." And a product itself is not an advertisement or advertising idea. Copying another's product or its attributes, or "passing off" one product as another does not constitute copying an "advertising idea" or "style of advertisement."

*Id.* at 1196 (second alteration in original) (footnotes omitted).

of any breach of contract, except an implied contract to use another's 'advertising idea' in [the insured's] 'advertisement'" "or on '[the insured's] website'"<sup>2073</sup> (2) "[a]rising out of any actual or alleged infringement or violation of any intellectual property right, such as copyright, patent, trademark, trade name, trade secret, service mark or other designation of origin or authenticity";<sup>2074</sup> and (3) "[a]ny injury or damage alleged in any claim or 'suit' that also alleges an infringement or violation of any intellectual property right."<sup>2075</sup> The applicability of those exclusions further supported the court's disposition of the case, which was to enter summary judgment in the carrier's favor.<sup>2076</sup>

### 3. Opinions Deferring Resolution of the Coverage Inquiry

When an appellate opinion in a coverage dispute begins with the observations that "Pennsylvania law imposes on insurers a broad duty to defend lawsuits brought against those they insure"<sup>2077</sup> and "[a]n insured's burden to establish its insurer's duty to defend is light,"<sup>2078</sup> the ensuing application of that law almost certainly will not favor the carrier. Such an outcome proved to be the case in an action in which the insured had been accused of trademark infringement, false designation of origin, false advertising, and trademark dilution under federal and Michigan law. Among the conduct allegedly undertaken by the insured was the dissemination of false comparisons between its energy supplements and those of the plaintiffs, which included suggestions that the insured's supplements contained more Vitamin B and Vitamin C, as well as that they lasted longer. The plaintiffs' challenge to that allegedly false advertising caused the insured to seek coverage under a policy mandating it in cases presenting claims "arising out of oral or written publication of material that libels or slanders . . . a person's or organization's products, goods or operations or other defamatory or disparaging material, occurring in the course of the Named Insured's Advertisement."<sup>2079</sup>

Rather improbably in light of the parties' agreement that "the term 'disparaging material,' as used in the Policy, includes, at a minimum, an injurious false statement about another's goods,"<sup>2080</sup>

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<sup>2073</sup> *Id.* at 1198 (alterations in original) (footnote omitted).

<sup>2074</sup> *Id.* at 1200 (alteration in original).

<sup>2075</sup> *Id.* (alteration in original).

<sup>2076</sup> *Id.* at 1202.

<sup>2077</sup> *Vitamin Energy, LLC v. Evanston Ins. Co.*, 22 F.4th 386, 388 (3d Cir. 2022).

<sup>2078</sup> *Id.*

<sup>2079</sup> *Id.* at 392 (alteration in original).

<sup>2080</sup> *Id.* at 392–93.

the district court granted the carrier's motion for judgment on the pleadings, but that disposition met with misfortune on appeal. Unlike the district court, the court of appeals credited the insured's argument that the complaint in the underlying action accused the insured of asserting a falsehood about the plaintiffs' goods; specifically, the complaint asserted that the insured's "representation that its products contain . . . 100% Daily Value of Vitamin B is intended to leave, and does leave, the false and/or misleading impression that, among other things, all of [the insured's] Products have . . . more Vitamin B Vitamins than [the plaintiffs'] Products[.]"<sup>2081</sup> "When construed liberally in favor of coverage," the court held, the averments in the complaint "are best read as saying not only that [the insured's] own products contain 100% of the daily recommended value of vitamin B, but also that [the plaintiffs'] products do not. That latter representation is clearly about [the plaintiffs'] products, not [the insured's], and [the plaintiffs] assert[] that it is false."<sup>2082</sup> Coverage therefore was appropriate unless one of the policy's exclusions applied.

The carrier fared better in the exclusion inquiry, although only marginally. It first pointed to an exclusion bearing on any "[c]laim based upon or arising out of . . . piracy, unfair competition, the infringement of copyright, title, trade dress, slogan, service mark, service name or trademark, trade name, patent, trade secret or other intellectual property right," but, as the court pointed out, the inclusion of trademark-related causes of action in the plaintiffs' complaint did not moot the inclusion of the ones for false advertising; rather, "[a]n exclusion that may apply to only some allegations does not excuse [the carrier] from its obligation to defend the entire lawsuit, which obligation continues 'as long as at least one claim is potentially covered by the policy,'"<sup>2083</sup> and the same was true with respect to the plaintiffs' accusations of unfair competition under Michigan law.<sup>2084</sup> Likewise, its subsequent attempt to invoke "Incorrect Description" and "Failure to Conform" exclusions<sup>2085</sup> based on the insured's allegedly inaccurate claim that its energy supplement had "steroid-like" performance and vitamin content also

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<sup>2081</sup> *Id.* at 393 (first, third, and fourth alterations in original).

<sup>2082</sup> *Id.*

<sup>2083</sup> *Id.* at 395 (quoting *Post v. St. Paul Travelers Ins. Co.*, 691 F.3d 500, 521 (3d Cir. 2012)).

<sup>2084</sup> *Id.* at 395–96.

<sup>2085</sup> As the court summarized them:

The Incorrect Description exclusion bars coverage for "any Claim based upon or arising out of Advertising Injury arising out of a mistake in advertised price or incorrect description of any product, good or operation[.]" The Failure to Conform exclusion bars coverage for "any Claim based upon or arising out of the failure of products, goods or services to conform with any statement of quality or performance made in the Named Insured's Advertisement."

*Id.* at 396 (alteration in original) (citation omitted).

fell short in light of the court's conclusion that "if the Incorrect Description and Failure to Conform exclusions were read broadly to encompass allegations supporting a potential disparagement claim, then the exclusions would render the Policy's coverage for injury arising out of 'disparaging material' a nullity, which again we doubt the parties intended."<sup>2086</sup>

Nevertheless, the carrier did notch a relatively rare victory under two standard "knowing violation" exclusions, which barred coverage for:

[A]ny Claim based upon or arising out of Personal Injury or Advertising Injury caused by or at the direction of the Insured with the knowledge that the act would violate the rights of another and would inflict Personal Injury or Advertising Injury; [or]

[A]ny Claim based upon or arising out of Personal Injury or Advertising Injury arising out of the oral or written publication of material, if done by or at the direction of the Insured with the knowledge of its falsity[.]<sup>2087</sup>

As the court noted, "[d]iscovery may uncover evidence that [the insured] published the comparative advertisement with knowledge of a falsehood or a resulting injury."<sup>2088</sup> Whether it had, however, remained for the district court to determine on remand.

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<sup>2086</sup> *Id.*

<sup>2087</sup> *Id.* (alterations in original).

<sup>2088</sup> *Id.* at 397.



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