The Top Ten TTAB Decisions of 2012-2013

John L. Welch
Lando & Anastasi, LLP
Cambridge, MA

§ 12.1 INTRODUCTION

In the past few years, several major substantive issues have taken a turn in the Trademark Trial and Appeal Board (TTAB or the Board) spotlight. For half a decade, fraud was a major topic of discussion until the Court of Appeals for the Federal Circuit's (CAFC) *In re Bose* decision lowered the curtain on that drama. In fact, as of this writing, not a single fraud claim has been sustained by the Board since the *Bose* ruling was issued in August 2009. Dilution came to the forefront more recently, with the Board easing the requirement regarding the necessary similarity between the famous mark and the allegedly dilutive one, while scrutinizing more carefully the claimant's proof of diminishment of the marketing power of the famous mark. After a small flurry of dilution decisions last year, that issue, too, has receded. A few cases involving lack of bona fide intent seemed to portend an upcoming wave, particularly involving marks of foreign owners, but that has not happened.

Instead, over the last 12 months an assortment of cases involving non-traditional marks has appeared on the TTAB stage. Trademark practitioners always seem to be pushing the envelope, seeking more and broader protection for marks of all sorts, including product shapes, colors, flavors, sounds, packaging, and ornamentation. As a result, discussions of utilitarian functionality, aesthetic functionality, failure to function as a mark, inherent distinctiveness, acquired distinctiveness, and non-reputation based competitive advantage are occurring more frequently, not only in the TTAB context, as demonstrated by some of the cases discussed in this chapter, but in the broader trademark context as well, as witnessed by the relatively recent "Betty Boop" and Christian Louboutin "red sole" decisions. An understanding of these issues will be increasingly important for trademark attorneys as trademark law continues to evolve.

Of course, success as a TTAB practitioner also requires a current knowledge of the latest procedural developments at the Board. Included in this year's top 10 list are several rulings that highlight the importance that the TTAB places on its disclosure and discovery rules and the accompanying deadlines. And two cases remind the practitioner that a judicious and timely resort to section 18 of the Trademark Act may allow a party to escape from a seemingly hopeless likelihood-of-confusion dilemma.

Another pair of cases merit inclusion in this year's list merely because of the rareness of the issues involved. In one, the Board rendered an important concurrent use decision, awarding the junior applicant nearly the entire country. And in the other, the Board cancelled a registration because the involved mark had been used only internally and not "in commerce."

§ 12.2 *IN RE COOK MEDICAL TECHNOLOGIES LLC*, 105 U.S.P.Q.2D 1377 (T.T.A.B. 2012) [PRECEDENTIAL]

In a "somewhat unusual" likelihood of confusion case involving the comparison of two color marks, the Board affirmed a refusal to register the color "teal" for "medical devices, namely, guiding sheaths for use in conjunction with access needles, wire guides, and dilators for providing access for diagnostic and interventional devices in vascular and non-vascular procedures." *In re Cook*, 105 U.S.P.Q.2d at 1377. The Board found the applied-for mark likely to cause confusion with a prior registered mark comprising the color "blue" applied to the tip and indwelling length of catheters. The applicant, Cook Medical, sought registration on the Supplemental Register for a mark consisting of "a translucent, iridescent teal color shown along the shaft length of a rib-reinforced medical guiding sheath." *Id*.

Cook confirmed that its sheaths may be used with catheters, and its website so indicated. Third-party websites corroborated the same type of complementary use. The Board therefore found the goods to be closely related. As we know, the closer the goods, the lesser the degree of similarity necessary to support a finding of likely confusion. Because there were no limitations as to channels of trade or classes of purchasers in the application and the cited registration, the Board presumed that the involved goods move in the same, normal channels of trade to all classes of purchasers.

The crux of the appeal centered on the similarity of the marks. The Board noted that "likelihood of confusion takes on additional significance when the goods are pharmaceuticals or medical instruments." *Id*. at 1381. It found the applicant's teal color mark, running the length of the shaft of a guiding sheath for catheters, to be similar in appearance to Cook's blue color mark that runs the length of a catheter. The Board noted that the applicant originally described its mark as the color "blue/teal," and it further observed that the narrow shape of the products may make it more difficult to differentiate between the shades of blue. "The fact that applicant's teal color mark may appear to be translucent and iridescent is not sufficient to distinguish the marks in a meaningful manner," because in some lighting conditions, the translucence "may not be perceptible and the iridescence may result in the teal being perceived as more blue than green." *Id.* at 1383. Applicant Cook did not argue that the relevant purchasers were sophisticated and discriminating, but in any case, "even sophisticated purchasers are not immune from source confusion, especially in cases such as the instant one involving similar marks and closely-related goods." *Id.* The Board concluded that "the similarities between the marks and the goods sold thereunder outweigh any sophisticated purchasing decision, especially in the absence of evidence relating to the degree of care in making the decision." *Id.*

PRACTICE TIP

A trademark registration for a single color will not block others from registering similar colors, but restriction of the registration via section 18 of the Trademark Act may be needed.

The record was devoid of evidence of third-party use of any color mark for medical devices, although that was "hardly the most probative factor in this case." *Id.* Cook's assertion of no actual confusion despite contemporaneous use of the marks for more than 18 years was entitled to little weight in this ex parte context, where the registrant has no opportunity to be heard. Moreover, there was no evidence as to the extent of use of the marks, and thus whether there had been meaningful opportunities for the occurrence of actual confusion.

Balancing the relevant *du Pont* factors, the Board concluded that confusion was likely, and it affirmed the refusal.

The Board went on to observe that its decision should not be taken to mean that "merely because a party obtains a registration for a single color that such registration will block others from using or registering marks for other colors, even similar colors." *Id.* at 1384. Here, the registrant's mark was described only as the color "blue," and therefore the Board must consider every shade of blue.

Finally, the Board expressed some sympathy for Cook's concerns about the scope of protection given to the cited registration, but it noted that Cook did not avail itself of section 18 of the Trademark Act, which gives the Board the equitable power to cancel registrations in whole or in part.

"This Section 18 claim, if successful, would modify the description of the mark from 'blue' to the specific shade of blue actually used in the marketplace. Such a claim can be used to modify overly broad identification of goods (for example, 'computer programs')." *Id.* Of course, the Board will not entertain such a section 18 claim unless the proposed modification will serve to avoid a finding of likelihood of confusion between the involved marks. Alternatively, Cook could have sought consent from the registrant.

§ 12.3 *EMBARCADERO TECHNOLOGIES, INC. v. RSTUDIO, INC.*, 105 U.S.P.Q.2D 1825 (T.T.A.B. 2013) [PRECEDENTIAL]

Prior to the close of discovery in this section 2(d) opposition, the applicant RStudio moved under Trademark Rule 2.133 (and section 18 of the Lanham Act) to narrow the descriptions of its software and related services in the opposed applications "in the event that the Board deems such amendments necessary to dismiss the opposition." *Embarcadero*, 105 U.S.P.Q.2d at 1825. The Board deferred ruling on the motion until final decision. It ultimately found that, taking into account the applicant's proposed amendments, there was no significant relationship between the applicant's software and services and the opposer's software, and so it dismissed the opposition.

The applicant sought to register the RSTUDIO mark for goods and services identified in fairly broad terms, encompassing all types of statistical software and application development software, as well as training, design, and development services. The opposer, Embarcadero, alleged likelihood of confusion with its registered mark ER/STUDIO for "entity relationship modeling software for SQL databases." *Id*. By its motion to amend, the applicant sought to restrict its application to the field of "advanced" statistical software using the "R" computer language and data from two dimensional datasets.

The Board noted that, ideally, a defendant will invoke section 18 as an affirmative defense. However, it found the applicant's motion to be timely because it was filed before the close of discovery. The proposed restrictions were supported by the record in that the scope of the applicant's actual goods and services were in fact so restricted. In addition, it was clear that the issue of the proposed restriction was tried by the parties and argued in their briefs. As requested, the Board considered the applicant's section 18 defense in the alternative.

The Board then proceeded through its usual section 2(d) analysis. It found that the marks had a degree of similarity in appearance and sound, but that each mark had a distinctly different commercial impression and connotation. Most of the opposer's users would understand ER to mean "entity relationship," whereas the R in the applicant's mark refers to the "R" programming language. The common element STUDIO is highly suggestive and weak in the field. Therefore the first *du Pont* factor weighed in the applicant's favor.

As to the involved goods and services, the applicant's "unamended" software and services were clearly related to the opposer's database modeling software. As to the amended goods and services, however, the Board did not find "any significant relationship between the respective software products," and it further noted that the applicant's services are even further removed from the opposer's goods. *Id.* at 1839.

The purchasing conditions and the sophistication of purchasers weighed against a likelihood of confusion finding.

Balancing the relevant *du Pont* factors, the Board found confusion likely as to the unamended goods and services in the opposed applications. However, considering the amended description, the Board found no likelihood of confusion, and therefore granted the motion to amend and dismissed the opposition.

§ 12.4 *IN RE FLORISTS' TRANSWORLD DELIVERY, INC.*, 106 U.S.P.Q.2D 1784 (T.T.A.B. 2013) [PRECEDENTIAL]

The Board affirmed two refusals to register a purported mark consisting of the color black applied to packaging for flowers, finding the mark to be aesthetically functional under section 2(e)(5) of the Trademark Act, 15 U.S.C. § 1152(e)(5), and if not functional, then lacking in acquired distinctiveness. Judge David Bucher added a thoughtful concurring opinion, suggesting the need to lay to rest the "aesthetic functionality" label and instead focus on "first principles" when considering the registrability of non-traditional "marks."

A. Section 2(e)(5) Functionality

In *M-5 Steel Manufacturing Inc. v. O'Hagin's Inc*., 61 U.S.P.Q.2d 1086 (T.T.A.B. 2001), the Board recognized that there are two forms of functionality: utilitarian functionality and aesthetic functionality. In considering utilitarian functionality, the Board looks first to the test set forth in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc*., 456 U.S. 844, 214 U.S.P.Q. 1, 4 n.10 (1982): a feature is considered to be functional in the utilitarian sense if it is "essential to the use or purpose of the article," or if it "affects the cost or quality of the article." The Federal Circuit, in its analysis of utilitarian functionality, applies the four factors set out in *In re Morton-Norwich Products, Inc.*, 213 U.S.P.Q. 9 (C.C.P.A. 1982).

PRACTICE TIP

There are two forms of functionality: utilitarian and aesthetic. The latter applies when exclusive appropriation would put competitors at a significant non-reputation-related disadvantage.

A design feature that does not meet the *Inwood* test for utilitarian functionality is still prohibited from registration if the exclusive appropriation of that feature would put competitors at a significant non-reputation-related disadvantage. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161, 1165 (1995); *TrafFix Devices Inc. v. Marketing Displays Inc.*, 532 U.S. 23, 58 U.S.P.Q.2d 1001, 1006-07 (2001).

The Board agreed with the examining attorney that the color black “serves an aesthetic function” when used for floral packaging; there exists a strong competitive need to use that color in order to convey a particular message to the recipient of the flowers. *Florists*, 106 U.S.P.Q.2d at 1789. The evidence showed that color communicates particular messages in the presentation of flowers. The color black may communicate elegance or luxury, or may have significance “on somber occasions, such as in the context of death.” *Id.* at 1791. And black is traditionally used in Halloween floral bouquets or arrangements.

The Board concluded that the United States Patent and Trademark Office (USPTO) had demonstrated prima facie that competitors in the floral industry need to use the color black in connection with floral arrangements and flowers. The applicant failed to overcome the USPTO’s evidence. It feebly pointed to non-black packaging used by other flower delivery companies to show the availability of other colors, but the Board noted that there was no indication that such packaging was used for the special occasions referred to by the USPTO’s evidence.

B. Acquired Distinctiveness

For the sake of completeness, the Board also addressed the refusal to register on the ground that the purported mark lacked acquired distinctiveness. Of course, a single-color mark cannot be inherently distinctive. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 54 U.S.P.Q.2d 1065, 1068 (2000); *see also Qualitex*, 34 U.S.P.Q.2d at 1162-63. Additionally an applicant bears a “difficult burden” to establish acquired distinctiveness for such a mark. *In re Owens-Corning Fiberglass Corp.*, 774 F.2d 1116, 227 U.S.P.Q. 417, 424 (Fed. Cir. 1985).

The applicant, FTD, submitted a declaration from an officer of the company, asserting that it had used the mark since December 2008, sold more than 1.8 million units of "the goods," included a "look for" statement ("[l]ook for the black box as a symbol of high quality FTD flowers") on its website and in marketing materials, and had millions of website visits. The Board, however, was not impressed. The "black box" was depicted along with designs and wording, which the consumer might also look to as source indicators. The "look for" statement was displayed for only one year, there was no indication of how many mailers were sent out, and some portion of the website visits occurred when the "look for" statement was not displayed.

The Board also rejected four customer declarations submitted by FTD, in which the customers claimed that they recognize the color black as a source indicator for the applicant. The declarants did not, however, account for the other matter appearing on the boxes, there was no indication of the location of the declarants (raising a doubt about geographic diversity), and most importantly for the Board, a mere four statements is simply an insufficient number to be probative on the issue.

Therefore, the Board affirmed the refusal under sections 1, 2, and 45 of the Trademark Act, finding a lack of adequate proof of acquired distinctiveness.

C. Concurring Opinion

Judge Bucher proposed that, when faced with non-traditional source indicators, we resist the urge to force each case into a pre-existing cubbyhole. Applying some already established label (as in the case of the label "aesthetic functionality") may yield more confusion than enlightenment. He would instead look to "first principles drawn from our magnificent trademark jurisprudence." *Florists*, 106 U.S.P.Q.2d at 1794.

> [W]hen one is faced with a putative source indicator such as the configuration of a product or its packaging or any product feature that enhances the attractiveness of the product, it is logical to ask as a first question whether the public interest is best served by refusing to permit a particular feature to be taken from the "public domain." This is, at its root, a public policy question, and turns on whether the non-traditional indicator should remain permanently available for competitors to use freely. If one sifts through the relevant case law, it is clear that the best enunciation of this standard is one focused on whether competitors can still compete effectively, or contrariwise, whether they will suffer a significant non-reputational disadvantage. [footnoted citations omitted].

Id.

Judge Bucher noted that the *Morton-Norwich* type of analysis works well in determining whether a product configuration will affect a competitor's ability to compete. But as to color cases, not so much.

> Nonetheless, in every case, the first principles remain the same. Especially when confronting product features that enhance the attractiveness of the product (e.g., trade dress, surface design and overall color), being forced in advance to choose a label ("utilitarian functionality," "aesthetic functionality," "ornamentation," etc.), presents the possible peril of stumbling badly over first principles.

Id. at 1795.

This "first principles approach" enables a tribunal to determine functionality while avoiding "the ongoing debate among the circuit courts of appeal as to whether the tortured concept of 'aesthetic functionality' has morphed far enough from *Pagliero* to retain some viability." *Id.* (referencing *Pagliero et al. v. Wallace China Co.*, 95 U.S.P.Q. 45 (9th Cir. 1952)).

As to acquired distinctiveness vel non, assuming that the putative source indicator has cleared the functionality (first principles) hurdle, the attention turns away from the competitors to the consumers: "whether permitting encroachment on this (arguably) reputation-based feature that the public may well have come to associate with a single source will be subject to source confusion—a significant reason to provide protection for any distinctive mark." *Florists*, 106 U.S.P.Q.2d at 1795.

In sum, Judge Bucher's approach would be to avoid the "functionality" and "ornamentality" labels altogether, and instead apply "first principles": initially considering competitive effects in order to determine "capability," the refusal being grounded on sections 1, 2, and 45 of the Trademark Act; and then, if capability is established, assessing the indicia of acquired distinctiveness under section 2(f), 15 U.S.C. § 1052(f).

§ 12.5 *IN RE POHL-BOSKAMP GMBH & CO. KG*, 106 U.S.P.Q.2D 1042 (T.T.A.B. 2013) [PRECEDENTIAL]

The Board turned up its collective nose at the applicant Pohl-Boskamp's unpalatable attempt to register "the distinctive flavor of peppermint" and "the scent of peppermint" for pharmaceutical formulations of nitroglycerin. As to the purported flavor mark, the Board affirmed the USPTO's two-pronged refusal: section 2(e)(5) of the Trademark Act, 15 U.S.C. § 1152(e)(5), functionality and failure to function. It affirmed the single refusal of the scent mark on the ground of failure to function.

Pohl-Boskamp markets a nitroglycerin spray that provides relief from chest pain or discomfort. It is administered by spraying onto or under the user's tongue. On the applicant's packaging, peppermint oil is listed as an inactive ingredient.

The Trademark Act does not prohibit registration of flavor or scent marks. The Board addressed a flavor mark in *In re N.V. Organon*, 79 U.S.P.Q.2d 1639 (T.T.A.B. 2006), in which registration of an orange flavor for an antidepressant drug was refused on the ground of functionality because the flavor masked the unpleasant taste of the drug. In *In re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990), the Board found registrable the scent of plumeria blossoms for thread and yarn.

A. Functionality of Peppermint Flavor

Under the Supreme Court's *Inwood* test, a product feature is functional if it is "essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 214 U.S.P.Q. 1, 4 n.10 (1982). If functionality is established under *Inwood*, there is no need to inquire further into the facts in order to apply the Court of Customs and Patent Appeals' (CCPA) *Morton-Norwich* factors. *See In re Morton-Norwich Products, Inc*., 213 U.S.P.Q. 9 (C.C.P.A. 1982).

Nitroglycerin is odorless and tasteless, and so there is no need to mask its taste, as was the case in *Organon*. The examining attorney pointed to a third-party patent that stated that menthol-containing substances (including peppermint) reduce the required dosage of nitroglycerin and lessen its side effects. According to the Board, even though peppermint oil is listed as an inactive ingredient in Pohl-Boskamp's product, the patent evidences that peppermint oil could improve the effectiveness of sublingual nitroglycerin spray. A competitor who desired to improve its nitroglycerin spray by adding peppermint oil might be put at a competitive disadvantage if Pohl-Boskamp had the exclusive right to market nitroglycerin spray having a peppermint flavor, because the competitor would have to avoid using peppermint oil or find a way to mask the flavor. The Board also observed that, if the third-party patent is wrong as to the benefit of peppermint oil, it was incumbent upon the applicant to demonstrate the same.

The Board concluded that, based on the record evidence, because peppermint oil "imparts a flavor of peppermint ... and potentiates the effect of nitroglycerin," it affects the quality of nitroglycerin within the meaning of *Inwood*. *Pohl-Boskamp*, 106 U.S.P.Q.2d at 1048. Therefore, the Board affirmed the refusal to register under section 2(e)(5) of the Trademark Act.

PRACTICE TIP

Both flavor and scent should be treated like product designs when considering distinctiveness: neither can be inherently distinctive.

B. Failure to Function

In *Organon*, the Board indicated that both flavor and scent should be treated like product designs when considering distinctiveness: i.e., neither can be inherently distinctive. The issue, then, was acquired distinctiveness. A "substantial showing" is required under section 2(f), 15 U.S.C. § 1052(f), in order to demonstrate that a flavor or scent is registrable. Note that, as to the flavor mark, the Board here was assuming arguendo that the mark was not functional and unregistrable.

Pohl-Boskamp claimed substantially exclusive use since 1989, but it admitted that one other manufacturer uses a peppermint flavor with a spray that competes directly with its product. It pointed to its own great sales success and large marketing expenditures, and provided declarations from 23 physicians and pharmacists.

The Board found that although the period of use was substantial, the import thereof was undercut by the lack of exclusivity. Not only was there a directly competing product, but there was evidence of other antianginal products containing peppermint oil. "The presence of other flavored and scented pharmaceutical products in the market is likely to reinforce consumers' perception of the flavor and scent of applicant's goods as mere physical attributes of the product, rather than as indicators of the product's source." *Id.* at 1049.

Pohl-Boskamp's advertising materials did not promote the flavor or scent as a trademark. Its website and one advertisement contained a notice in small print that the peppermint flavor and scent are trademarks of the applicant, but "the inconspicuous placement, legalistic tone, and the plethora of claimed marks" made it "unlikely that these notices would have substantial impact on applicant's customers." *Id.* at 1050.

The sales figures provided by Pohl-Boskamp were not limited to the United States, and the advertising figures were not limited to promotion of the marks themselves, but included the promotion of "goods bearing" the mark.

As to the declarations, they addressed various types of trade dress, including the bottle shapes, the color scheme, the peppermint flavor and scent, the "touch and feel" of the bottle, and the sound of the pump spray. Each declarant asserted that each of these features was distinctive.

"The testimonials are remarkable for their effort to say so much about so many different things in so few words. The declarants' willingness to vouch for the distinctiveness of so many of applicant's elements of trade dress affects the persuasiveness of these statements." *Id.* at 1051. Moreover, the declarations did not squarely address the issue at hand: they merely asserted that Pohl-Boskamp's product was the only one having a peppermint flavor or scent (which was controverted by the record evidence), and that each declarant was familiar with the applicant's product and associated its scent with the applicant alone (flavor was not addressed as to this point).

Finally, the probative value of the declarations was reduced because they are "all essentially identical in form and were clearly not composed individually." *Id.*

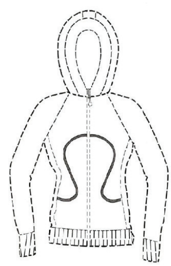
> While we note the declarants' willingness to sign their names to the precise wording set forth in the statements, we question whether the declarants would fully embrace the proposition for which the testimonials have been put forth, i.e., that each individual element of applicant's trade dress has the power of a trademark, functions to indicate that applicant is the source of the goods, and distinguishes applicant's good from those of others.

Id.

The Board observed that because most substances will create sensations of flavor and scent when introduced into the mouth, "[c]onsumers are not predisposed to equate either flavor or scent with the source of the product ingested." *Id.* Consequently, a very substantial amount of evidence is required to prove acquired distinctiveness.

Here, the evidence of sales and promotion was equivocal, evidence of direct promotion of the purported marks was lacking, and the declarations alone were insufficient to satisfy section 2(f) of the Trademark Act, 15 U.S.C. § 1052(f). In contrast, evidence of use of peppermint scent and flavor by others tended to show that flavor and scent "are more likely to be perceived merely as attributes of ingestible products than as indicators of source." *Id.* at 1052. Therefore, the Board affirmed the failure-to-function refusals.

§ 12.6 *IN RE LULULEMON ATHLETICA CANADA INC.*, 105 U.S.P.Q.2D 1684 (T.T.A.B. 2013) [PRECEDENTIAL]



The Board affirmed a refusal to register the purported mark shown here for "hooded sweatshirts; jackets; coats," on the ground that the design is merely ornamental and fails to function as a trademark. Lululemon's attempt to prove inherent distinctiveness was unsuccessful, as was its assertion that the applied-for design serves as a secondary source indicator.

An applicant may overcome an ornamentality refusal in any of three ways: (1) by proving inherent distinctiveness; (2) by establishing acquired distinctiveness; or (3) by showing that the mark is registered for other goods or services, and thus that the applied-for mark serves as a "secondary source indicator." Lululemon relied only on sections 1(b) and 44(e) of the Trademark Act as the bases for its application to register, and did not claim use under section 1(a). It therefore could not rely upon or show acquired distinctiveness. That left avenues (1) and (3) available.

A. Inherent Distinctiveness

An ornamental design may be inherently distinctive if its principal function is to identify source, with its ornamental aspect being only incidental. A design that is a mere refinement of common or well-known forms of ornamentation will not be viewed as a source indicator by the consuming public.

Lululemon asserted that its applied-for mark was inherently distinctive, and further that competitors used similar "large marks" on their clothing items, leading consumers to recognize Lululemon's design as a source identifier rather than merely an ornament. The examining attorney contended that, due to the large size of the design, consumers would not view it as a mark. She also pointed to third-party registrations showing that similar designs were registered on the supplemental register or under section 2(f), 15 U.S.C. § 1052(f) (i.e., they were deemed not to be inherently distinctive).

Based on the record evidence, the Board observed that, although it "may have once been the practice in the clothing industry to limit logos to small sizes in discrete areas rather than have them 'emblazoned' across a garment, that is no longer standard practice." *Lululemon*, 105 U.S.P.Q.2d at 1689. In short, the large size of Lululemon's design did not per se rule out its registrability: "the size of the mark is one consideration along with others." *Id.*

PRACTICE TIP

When considering whether a mark is merely ornamental, the size of the mark is but one consideration in determining consumer perception.

Nonetheless, the Board tersely found that Lululemon's wave design was "rather simple and looks like piping." *Id*. It was, the Board concluded, "likely to be perceived by the public merely as ornamental." *Id.*

B. Secondary Source Indicator

The Board recognized that ornamentation on clothing (e.g., logos on T-shirts) may be of a "special nature which inherently tells the purchasing public the source of the T-shirt, not the source of manufacture but the secondary source." *Id.* (quoting *In re Olin Corp*., 181 U.S.P.Q. 182, 182 (T.T.A.B. 1973)).

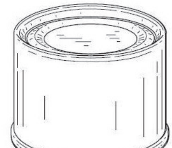
> In the context of an ornamentality refusal, "secondary source" simply means that the use of the design or words would be perceived by the consumer as an indicator of source due to the applicant's prior use or registration of the mark for other goods or services (not the applied-for goods).

Id. at 1690 n.4.

Lululemon asserted that it has used "the same mark" for related goods and services: on a storefront, Christmas ball ornaments, shopping bags, luggage bags, gift cards, wool caps, jackets, bamboo yoga bricks, dense foam bricks, yoga mats, skidless towels, hairbands, running caps, and headbands. The examining attorney contended, however, that the applied-for mark and the registered mark (shown here) were not the same mark. The Board agreed. The registered mark comprised a wave design "confined in and highlighted by a contrasting-hued circle." *Id.* The sides of the registered mark were thicker and closer together than the applied-for mark, and the registered mark was not of uniform thickness. And so the Board affirmed the refusal to register.

§ 12.7 *IN RE MARS, INC.*, 105 U.S.P.Q.2D 1859 (T.T.A.B. 2013) [PRECEDENTIAL]

Mars, Inc. applied to register the packaging configuration shown here for pet food. The mark was comprised of a cylindrical, inverted container having a "rounded top" with two concentric ridges forming the inner and outer lip of the top. The bottom has a wider ridged lip. The examining attorney refused registration on the ground of functionality under section 2(e)(5) of the Trademark Act, 15 U.S.C. § 1152(e)(5), and alternatively on the ground that the package design was not inherently distinctive and failed to function as a trademark. The Board affirmed both refusals.



A. Functionality

The Board applied the *Morton-Norwich* factors in considering the functionality of the packaging design. *See In re Morton-Norwich Prods., Inc.*, 213 U.S.P.Q. 9 (C.C.P.A. 1982). The four *Morton-Norwich* factors are:

1. whether a utility patent exists that discloses the utilitarian advantages of the design sought to be registered;
2. whether the applicant's advertising touts the utilitarian advantages of the design;
3. whether alternative designs are available that serve the same utilitarian purpose; and
4. whether the design results from a comparatively simple or inexpensive method of manufacture.

Although Mars did not own a utility patent directed to the design, third-party patents disclosed various benefits that result from using an annulus formed by a ridged or beaded container end: the ridging or beading allows the container to withstand changes in pressure during thermal processing of the container. Mars attempted to distinguish its container design from those of the patents, but the Board found the differences to be irrelevant in light of the evidence. Mars also argued that its container did not require beading or ridging because its short stature provided adequate structural support, but the Board noted that the applied-for mark was not limited as to dimensions, material, or type of sealing.

> In addition, even if applicant's container does not make use of the ridges and beadings because it is not vacuum sealed, if they are functional on third-party containers, applicant should not be granted a registration that would inhibit third parties from using such ridges and beading on containers that are vacuum sealed.

Mars, 105 U.S.P.Q.2d at 1864.

As to the flared bottom lip, the examining attorney maintained that this feature allowed stacking of the containers. Again, a third-party utility patent disclosed a can configuration having "a flared top and a container wall with a recession at the opposing bottom," allowing one can to be stacked with a second can of the same design. *Id.* "[T]he principle that having an end that cooperates with a flared lip for stacking purposes applies to both designs." *Id.* at 1865. The inverted nature of the applicant's design "does not negate any of the functional aspects of the design, thereby rendering them non-functional." *Id.*

With regard to the second factor, whether Mars touted the utilitarian advantages of the design, the record did not include advertising material because the application at issue was based on section 1(b) of the Trademark Act, 15 U.S.C. § 1051(b), intent to use.

As to the third *Morton-Norwich* factor, Mars contended that there were many alternative designs for pet food containers in the marketplace and therefore no need to copy the features of its design. The Board noted, however, that not all container designs are relevant: pouches, bags, and boxes are not suitable for wet pet food, and non-circular cans may be more costly and not as readily opened by a simple can opener.

As to the fourth factor, the cost of manufacture, Mars argued that it could have chosen a "stock" container, which purportedly would have been "an easier and cheaper alternative." *Id.* at 1866. The Board pointed out, however, that the applicant provided no information regarding whether the stock containers were in fact easier to manufacture or less costly. At most, the evidence failed to show that the applied-for configuration resulted from a cheaper or easier method of manufacture.

The Board concluded that "competitors would need this flared lip for containers where no modification is made to the sizing of exterior ridging at the opposite end of the can, or where only slight modifications of the exterior ridging exists." *Id.* at 1866. It therefore affirmed the section 2(e)(5) refusal to register.

B. Inherent Distinctiveness

For the sake of completeness, the Board also considered the USPTO's second ground for refusal: that the alleged mark lacked distinctiveness. Mars did not claim acquired distinctiveness, but product packaging may be inherently distinctive. That determination required application of the CCPA's test set out in *Seabrook Foods, Inc. v. Bar-Well Foods Limited*, 196 U.S.P.Q. 289, 291 (C.C.P.A. 1977) to determine:

1. whether the subject matter sought to be registered is a "common" basic shape or design;
2. whether the subject matter sought to be registered is unique or unusual in a particular field;
3. whether the subject matter sought to be registered is a mere 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; or
4. whether the subject matter sought to be registered is capable of creating a commercial impression distinct from the accompanying words.

The examining attorney submitted various third-party pet food cans, including cans that had substantially the same ridging and/or beading as the Mars design. This evidence established that the subject design was a common basic shape. Mars pointed to various differences between its container and the others, but the Board found this evidence unpersuasive: when the third-party containers were inverted, they shared many of the same features as the Mars design. In short, the Mars container design resembled many metal cans used in the pet food field. It was not unique or unusual, but rather "had the appearance of an upside down container." *Mars*, 105 U.S.P.Q.2d at 1871.

As to the third *Seabrook* factor, the Board found that, in view of the "strong similarities" between the Mars container and the other non-inverted containers, the applied-for design was a mere refinement of a commonly-adopted and well-known form of ornamentation for pet food containers. *Id.* The Board did not consider the fourth factor, finding it irrelevant in this case.

In sum, the applied-for design was not inherently distinctive, and the Board affirmed the refusal to register under sections 1, 2, and 45 of the Trademark Act.

§ 12.8 *CITY NATIONAL BANK v. OPGI MANAGEMENT GP INC./GESTION OPBI INC.*, 106 U.S.P.Q.2D 1668 (T.T.A.B. 2013) [PRECEDENTIAL]

The Board sustained a petition to cancel OPGI's registration (issued under section 44(e) of the Trademark Act) of the service mark TREASURYNET for "providing information on financial information, namely corporate treasury and loan information and commercial real estate property management information via a global computer network," finding that OPGI had used the mark only internally and not "in commerce," and it therefore had abandoned the mark. *City Nat'l Bank*, 106 U.S.P.Q.2d at 1668-69.

A. Evidentiary Rulings

The Board first dealt with an issue regarding discovery deposition testimony taken by the petitioner of the Federal Rule of Civil Procedure 30(b)(6) designee for OPGI, its in-house counsel, Mr. Smart. Trademark Rule 2.120(j)(4) provides that "if only part of a discovery deposition is submitted and made part of the record by a party, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party."

City argued that OPGI's counter-designations of Mr. Smart's testimony exceeded the scope of the testimony excerpts that it had submitted, but the Board disagreed. City also contended that the testimony, concerning a period of time before Mr. Smart's employment by OPGI, constituted hearsay, but the Board overruled that objection too, pointing out that a designated Rule 30(b)(6) witness is testifying on behalf of the party and not himself: Rule 30(b)(6) provides that the party's designated witness shall "testify about information known or reasonably available to the organization," and it is therefore not inappropriate for him to testify as to matters not within his personal knowledge. Fed. R. Civ. P. 30(b)(6).

Next, the Board overruled City's objection to a certain third-party publication downloaded from the Internet, ruling that under *Safer, Inc. v. OMS Investments, Inc*., 94 U.S.P.Q.2d 1031 (T.T.A.B. 2010), the document was properly submitted via notice of reliance. However, the Board emphasized the fact that the third-party document had limited probative value because it was admissible solely for what it showed on its face. It could not be considered to prove the truth of any matter stated therein.

City also objected to Mr. Smart's trial testimony regarding any events occurring before his employment by OPGI in 2008, on the grounds of hearsay and lack of foundation. OPGI maintained that Mr. Smart had "sufficient reliable knowledge" based on his investigations and discussions "regarding intent and the like with the persons with the most knowledge of those issues and by reviewing relevant documents." *City Nat'l Bank*, 106 U.S.P.Q.2d at 1673.

Federal Rule of Evidence 602 provides that "[a] witness may not testify to matter unless evidence is introduced sufficient to support a finding that the witness has personal knowledge of the matter." The Board has held that a witness may not offer testimony regarding company history unless he or she has personal knowledge thereof:

> [T]he [business record hearsay exception] rule does not provide for the admission into evidence of the testimony of a person who lacks personal knowledge of the facts, who is unable to testify to the fulfillment of the conditions specified within the rule, and who is testifying only about what he has read or has been allowed to review. *Olin Corp. v. Hydrotreat, Inc*., 210 U.S.P.Q. 63, 67 (T.T.A.B. 1981).

Id.

The Board concluded that OPGI failed to demonstrate that Mr. Smart had personal knowledge regarding OPGI's history prior to May 2008, or its use of the term TREASURYNET prior to that date. Furthermore, his testimony revealed that OPGI could have produced a witness with the requisite personal knowledge of matters for those years, but failed to explain why that person could not have testified. Nor did OPGI show that, as in-house counsel, Mr. Smart would have had knowledge of the pre-employment matters regarding which he was testifying. And so the Board sustained City's objection and refused to consider Mr. Smart's testimony regarding pre-2008 matters.

B. Use in Commerce

The crux of City's abandonment claim was that any use by OPGI of the term TREASURYNET had been solely for OPGI's internal use, not for use by others, and thus the term was never used in commerce in connection with the recited services. The Board agreed.

"Use in commerce" is defined, in pertinent part, in section 45 of the Trademark Act as follows:

> [T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce – ... on services when it is used or displayed in the sale or advertising of services and 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.

15 U.S.C. § 1127.

PRACTICE TIP

A mark that is used only internally by an applicant is not used "in commerce, and is therefore not registrable, unless the employees benefit directly from access to the designated services." *City Nat'l Bank*, 106 U.S.P.Q.2d at 1675.

The respondent, OPGI, is a Canadian company that owns an intranet website whereby its employees may access an informational database identified as "TreasuryNet." Mr. Smart testified that third parties cannot directly access the information in the TREASURYNET database; only OPGI's employees may do so.

OPGI relied on several decisions in which the provision of services to employees (administration of an annuity plan, in-house sales training) under a particular mark was deemed to be use of the mark in interstate commerce. It contended that it similarly "provides tangible services directly to its employees under the TREASURYNET mark." *Id.* at 1676. The Board, however, pointed out that OPGI "is the real beneficiary and not its employees who are accessing the TREASURYNET database in order to perform their jobs." *Id.* at 1677.

> Respondent's employees are not being offered a benefit and otherwise taught skills that are transferrable to other positions outside of their employment with respondent. Rather, respondent's employees are merely using respondent's proprietary database as a source of information in performing their work; they would not have access to this database upon leaving their job with respondent. The record in this proceeding provides no indication how respondent's employees would personally benefit from having access to the TREASURYNET database other than the satisfaction of knowing that they are fulfilling their employment duties on behalf of respondent.

Id. at 1677–78.

C. Abandonment

Under section 45 of the Trademark Act, a mark is considered to be abandoned when "its use has been discontinued with intent not to resume such use." 15 U.S.C. § 1127. Nonuse for three consecutive years gives rise to a prima facie case of abandonment.

The Board concluded that OPGI had not used TREASURYNET as a mark in commerce in connection with the recited services and therefore OPGI had abandoned its mark. Note that because the subject registration was based on section 44 of the Trademark Act, use was not required for purpose of registration. More specifically, OPGI did not use TREASURYNET in commerce since at least the date of issuance of its registration, February 20, 2007, resulting in more than three years of nonuse. The record therefore established a prima facie case of abandonment, which OPGI did not successfully rebut. Accordingly, the Board granted the petition for cancellation.

§ 12.9 *AMERICA'S BEST FRANCHISING, INC. v. ABBOTT*, 106 U.S.P.Q.2D 1540 (T.T.A.B. 2013) [PRECEDENTIAL]

In a rare, contested concurrent use proceeding, the Board awarded junior user America's Best Franchising, Inc. (ABF) concurrent use registrations for three marks containing the term 3 PALMS in design form for hotel and motel services, in the entire United States except for the state of Arizona. The Board ruled that although Abbott was the first user of the mark 3 PALMS, his inaction over a considerable period of time amounted to an abandonment of his right to expand beyond his original trading area.

PRACTICE TIP

In a concurrent use proceeding, there is no bias in favor of the first user, but instead there is a policy of rewarding the party who first seeks registration.

The applicant, ABF, provided its services to eight 3 PALMS hotels, one each in California, Georgia, and South Carolina, and five in Florida. It named Roger Abbott as an excepted user to its right to use the mark in commerce. At the time the concurrent use proceeding was commenced, Abbott licensed his 3 PALMS mark to a single hotel in Scottsdale, Arizona, but he contended that Internet marketing and promotion had necessarily expanded his territory nationwide, or at least to something significantly beyond Arizona.

It was undisputed that Abbott was first to use 3 PALMS in April 2004 in Scottsdale. He had not offered hotel services under that mark outside of the Scottsdale location, but had made "fairly extensive use of the mark on the Internet." *America's Best*, 106 U.S.P.Q.2d at 1544. Abbott placed advertisements on prominent search engines and travel-related websites, and in various online travel directories. About half of the hotel's customers were from outside Arizona, and the Internet was the primary tool for generating sales. Abbott claimed that since 2006 he intended to expand his use of 3 PALMS, and in 2007-2009 he made offers or sought loan commitments for eight other hotels. All told, he made 40-50 offers to purchase hotels, but every one was rejected. All of the hotels were in Arizona, New Mexico, or California.

ABF first used its 3 PALMS marks in 2008 in Florida, unaware of Abbott's use. It first learned of Abbott's use in mid-2008. Subsequently, it reached service agreements with hotels in Indiana, South Carolina, Georgia, Michigan, and California.

The Board found that the first condition for issuance of a concurrent use registration was met: ABF adopted its marks in good faith, in its own geographic area of Central Florida, without knowledge of Abbott's prior use in Arizona. Moreover, ABF began use of its mark prior to any trademark filing by Abbott. There remained, then, the question of the registrable rights of each party in the remainder of the United States.

The second condition for issuance of a concurrent use registration is that there be no likelihood of confusion when an appropriate geographic restriction is put in place. Here, the involved services were identical, and they were offered in the same channels of trade—the Internet. The parties' respective marks were somewhat similar (Abbott used his 3 PALMS mark in standard character and design form). However, the question was whether confusion may be avoided by a geographic restriction, and the Board answered, "yes."

First, the word PALMS is weak, because it is used by a number of third parties for hotel services. Second, a geographic restriction would make confusion unlikely, especially when purchasers have been conditioned to consider other factors when faced with hotel marks that contain the terms PALM or PALMS. In fact, the Board has often found a geographic restriction sufficient even when the marks and the goods or services are identical or highly similar.

Abbott argued that both parties cater to travelers and, in light of the Internet marketing of the services, the relevant territory is the entire country. The Board disagreed.

> Hotel services are by definition rendered in a particular geographic location, even if they are also offered, by the same ultimate source, in other geographic locations under the same mark. In fact, a hotel's physical location is among its most salient features.... *** Thus consumers, already conditioned to focus less on PALMS and palm trees than other features of the parties' marks, will also be unlikely to be confused because those searching for an Arizona hotel will not encounter any of ABF's 3 PALMS hotels.

Id. at 1550–51.

Because Abbott had not expanded beyond Scottsdale, and because there was no evidence that Abbott's hotel had a reputation beyond Arizona, the fact that both parties advertised online was not enough to result in a likelihood of confusion. Finally, the Board found that the lack of actual confusion over several years of contemporaneous use was at least somewhat relevant.

Turning to the issue of the appropriate territorial restriction, the Board observed that it was not limited to considering only ABF's actual use prior to Abbott's filing date. Moreover, there is a policy of rewarding those who first seek registration under the Lanham Act, and there is "no bias in favor of the prior user." *Id.* at 1553.

The Board found that Abbott, through his inaction, abandoned his right to expand the use of his mark. ABF's activities and expansion throughout most regions of the United States entitled it to the territory it requested, "especially since ABF was the first to seek federal registration." *Id.* at 1554.

And so the Board ruled that ABF was entitled to concurrent use registrations for its three marks for the entire United States except Arizona.

§ 12.10 *SPIER WINES (PTY) LTD. v. SHEPHER*, 105 U.S.P.Q.2D 1239 (T.T.A.B. 2012) [PRECEDENTIAL]

The opposer, Spier Wines, noticed the testimony deposition of one witness, Ms. Eve Jell, but she was first identified as a potential witness in Spier's pretrial disclosures. In its initial disclosures, Spier identified another person who had subsequently left the company. The applicant, Shepher, moved to strike the pretrial disclosures and to quash the notice of taking testimony due to Spier's failure to timely identify Ms. Jell in a supplement to its initial disclosures or otherwise. The Board granted the motion.

PRACTICE TIP

A wise TTAB practitioner will revisit his or her client's initial disclosures before discovery closes, to make sure they remain accurate.

To determine whether Spier's failure to identify Ms. Jell in its initial disclosures, in supplemental initial disclosures, or in response to interrogatories was substantially justified or harmless, the Board weighed the five factors set forth in *Great Seats, Inc. v. Great Seats, Ltd.*, 100 U.S.P.Q.2d 1323, 1327 (T.T.A.B. 2011):

1. the surprise to the party against whom the evidence would be offered;
2. the ability of that party to cure the surprise;
3. the extent to which allowing the testimony would disrupt the trial;
4. the importance of the evidence; and
5. the non-disclosing party's explanation for its failure to disclose the evidence.

The Board found that Spier could have identified Ms. Jell, its international sales director, at least as early as November 2010, when it informed Shepher that the previously identified employee had left the company. The failure to disclose Jell's identity sooner than pretrial disclosures resulted in surprise to Shepher (factor 1), and was prejudicial, not harmless, because Shepher was deprived of the opportunity to seek discovery of her. Spier provided no satisfactory explanation for the failure to disclose her identity (factor 5).

As to the importance of the evidence (factor 4), the Board noted that Jell's testimony was not the only evidence that Spier had to offer: Spier submitted the pleaded registrations and several notices of reliance. It did not appear that Jell's testimony (on industry awards, pronunciation of the term SPIER, and perceptions of U.S. customers), would be "particularly critical or persuasive in the ultimate determination of the merits of the case by a panel of Board judges."

Finally, as to whether Shepher could cure the surprise (factor 2), the Board pointed out that discovery had closed more than one year previously, and further that the proposed deposition on written questions (Ms. Jell resides in South Africa) would deprive Shepher of the opportunity to confront the witness and cross-examine her. The Board therefore concluded that Shepher had little, if any, ability to cure the surprise. Finally, reopening the discovery period to allow a discovery deposition on written questions would significantly disrupt the proceeding (factor 3).

PRACTICE TIP

A motion to reopen discovery faces a high hurdle at the TTAB: the movant must show "excusable neglect." In contrast, one who seeks an extension of time prior to the close of discovery need only show "good cause."

Even aside from the *Great Seats* analysis, Spier's failure to disclose the identity of Ms. Jell effectively misled Shepher as to the identity of potential trial witnesses. Ms. Jell should have been identified in initial disclosures as a person likely to have discoverable information that Spier might have used to support its claims.

> [T]he Board concludes that opposer failed to timely identify Ms. Jell as a person knowledgeable about the issues involved in these proceedings, and that such failure was neither harmless nor substantially justified. Essentially, opposer treated the initial and pretrial disclosure requirements as unrelated events, rather than recognizing that disclosures and discovery responses should be viewed as a continuum of inter partes communication designed to avoid unfair surprise and to facilitate fair adjudication of the case on the merits.

Id. at 1246.

Consequently, the Board applied the "estoppel sanction" and precluded the testimony of Ms. Jell.

§ 12.11 *LUSTER PRODUCTS, INC. v. VAN ZANDT*, 104 U.S.P.Q.2D 1877 (T.T.A.B. 2012) [PRECEDENTIAL]

A motion to reopen discovery faces a high hurdle at the TTAB: the movant must show "excusable neglect." The Board once again applied the Supreme Court's *Pioneer* factors in denying the applicant John M. Van Zandt's motion to reopen, concluding that Van Zandt's failure to seek an extension of time prior to the close of discovery "appears to have been a result of a strategic decision, which was entirely within his control." *Luster Products*, 104 U.S.P.Q.2d at 1880 (citing *Pioneer Inv. Serv. Co. v. Brunswick Assoc. L.P.*, 507 U.S. 380 (1993)).

Van Zandt filed his motion to reopen five weeks after the close of discovery. He had not taken any discovery, he said, because he thought that the opposer Luster had lost interest in the case. Van Zandt had twice asked Luster for its initial disclosures, but Luster did not provide them until the last day of the discovery period (accompanied by its first interrogatories and document requests).

Luster pointed out that, during the discovery period, Van Zandt had refused its request to extend the closing date for discovery. Moreover, Van Zandt's claim that he thought Luster had lost interest in the case was belied by the fact that the parties engaged in settlement discussions during the month in which discovery closed.

The Board applied the Supreme Court's *Pioneer* analysis to determine whether Van Zandt's failure to seek an extension of time prior to the close of the discovery period was the result of "excusable neglect." *See* Fed. R. Civ. P. 6(b)(1)(B).

> [A]t bottom [the decision is] an equitable one, taking account of all relevant circumstances surrounding the party's omission. These include… [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.

Luster Products, 104 U.S.P.Q. 2d at 1881 (quoting *Pioneer*, 507 U.S. at 395).

Several courts have stated that the third *Pioneer* factor, the reason for the delay, and whether it was in the control of the moving party, might be the most important factor. Here, the third factor weighed strongly against a finding of excusable neglect. If Van Zandt had been concerned about Luster's failure to timely serve initial disclosures, he should have filed a motion to compel. The Board observed that "[a] party that does not receive initial disclosures and does not file a motion to compel such disclosures risks their being served late in the discovery period concurrently with discovery requests, as illustrated by the instant case." *Id*. at 1879. Note that such action is permitted by Trademark Rule 2.120(a)(3). "To the extent that applicant made a calculated strategic decision not to take discovery in the hope that opposer had lost interest in the proceeding, the events in this case illustrate the danger of such a decision." *Id.*

Although Van Zandt contended that he needed the initial disclosures in order to prepare his own discovery requests, the Board again noted his failure to move to compel. Moreover, he could have prepared discovery requests based on Luster's pleaded claim (just as would have been done prior to 2007, when the TTAB's initial disclosure rule came into being).

Turning to the second *Pioneer* factor, the Board found that the delay caused by the failure of Van Zandt to act in a timely fashion was significant. Both the Board and the parties have an interest in minimizing the amount of time spent on matters like that raised in the instant motion, which "comes before the Board solely as a result of one party's strategic decision to allow the discovery period to close and subsequent change of position." *Id*. Therefore, this factor also weighed against Van Zandt.

As to the first factor, the Board found no evidence of significant prejudice to Luster, and as to the fourth, there was no evidence of bad faith by Van Zandt. Balancing the *Pioneer* factors, the Board ruled that Van Zandt's failure to timely act prior to the close of discovery was not the result of excusable neglect, and so it denied the motion to reopen.