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United States Annual Review

**The Sixty-Fifth Year of Administration
of the U.S. Trademark (Lanham) Act
of 1946**

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The Trademark Reporter®

UNITED STATES ANNUAL REVIEW

THE SIXTY-FIFTH YEAR OF ADMINISTRATION OF THE U.S. TRADEMARK (LANHAM) ACT OF 1946*

INTRODUCTION

*By Theodore H. Davis Jr.***

The twelve-month period between the sixty-fifth and sixty-sixth anniversaries of the Lanham Act's effective date ultimately may be best remembered for having produced a Second Circuit opinion that, in turn, led to the Supreme Court's issuing a writ of certiorari in a trademark case for the first time in nearly a decade.¹ For purposes of Article III of the United States

* 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 the cases reported between July 1, 2011 and June 30, 2012 and certain subsequent proceedings in the same cases falling outside that 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 volume: *Already, LLC v. Nike, Inc.*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013) (counsel for amicus curiae The International Trademark Association and counsel for amicus curiae Levi Strauss & Co. and Volkswagen Group of America, Inc.); *Univ. of Ala. Bd. of Trustees v. New Life Art, Inc.*, 683 F.3d 1266 (11th Cir. 2012) (counsel for plaintiff); *Starbucks Corp. v. Wolfe's Borough Coffee Inc.*, 101 U.S.P.Q.2d 1212 (S.D.N.Y. 2011) (appellate counsel for plaintiff); *Boykin Anchor Co. v. AT&T Corp.*, 825 F. Supp. 2d 706 (E.D.N.C. 2011) (counsel for defendants); *Telebrands Corp. v. Del Labs.*, 814 F. Supp. 2d 286 (S.D.N.Y. 2011) (counsel for defendant); *Va. Polytech. Inst. & State Univ. v. Hokie Real Estate, Inc.*, 813 F. Supp. 2d 745 (W.D. Va. 2011) (counsel for plaintiff); *Chrysler Grp. v. Moda Grp.*, 796 F. Supp. 2d 866 (E.D. Mich. 2011) (counsel for plaintiff); *Am. Lebanese Syrian Assoc. Charities, Inc. v. Child Health Research Inst.*, 101 U.S.P.Q.2d 1022 (T.T.A.B. 2011) (counsel for opposer); and *In re Country Music Ass'n*, 100 U.S.P.Q.2d 1824 (T.T.A.B. 2011) (counsel for applicant).

1. *See Nike, Inc. v. Already, LLC*, 663 F.3d 89 (2d Cir. 2011), *aff'd*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

Constitution² and the Declaratory Judgment Act,³ the existence of ongoing proceedings between two parties is usually a sure ticket to a finding that an actionable case and controversy exists between them; indeed, one district court over the past year reached such a holding based on the declaratory judgment defendant's having merely initiated an arbitration proceeding before the National Advertising Division of the Council of Better Business Bureaus.⁴ Nevertheless, in *Already, LLC v. Nike, Inc.*,⁵ the Supreme Court held that the mid-litigation execution and delivery by the plaintiff of a covenant not to sue—a tactic employed with far greater frequency by patentees than by trademark owners—eliminated any basis for an exercise of subject-matter jurisdiction over the defendant's counterclaims for declaratory relief and for the invalidation of the plaintiff's mark.

In doing so, the Court held the relevant inquiry to be whether the plaintiff had shown that it “could not reasonably be expected” to resume its enforcement efforts against [the defendant],” and, in particular, “[c]ould the allegedly wrongful behavior reasonably be expected to recur?”⁶ Addressing that issue in the context of the covenant at issue, the Court concluded that:

The breadth of [the plaintiff's] covenant suffices to meet the burden imposed by the voluntary cessation test. The covenant is unconditional and irrevocable. Beyond simply prohibiting [the plaintiff] from filing suit, it prohibits [the plaintiff] from making any claim or any demand. It reaches beyond [the defendant] to protect [the defendant's] distributors and customers. And it covers not just current or previous designs, but any colorable imitations.⁷

As a consequence, “[the defendant's] only legally cognizable injury—the fact that [the plaintiff] took steps to enforce its trademark—is now gone and, given the breadth of the covenant, cannot reasonably be expected to recur.”⁸ The Court therefore affirmed the dismissal of the defendant's counterclaims,

2. U.S. Const. art. III, § 2, cl. 1.

3. 28 U.S.C. § 2201 (2012).

4. See *Amazon.com, Inc. v. Nat'l Ass'n of College Stores, Inc.*, 826 F. Supp. 2d 1242 (W.D. Wash. 2011).

5. No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

6. *Id.* at *5 (quoting *Friends of the Earth, Inc. v. Laidlaw Envtl. Scis. (TOC), Inc.*, 528 U.S. 167, 190 (2000)).

7. *Id.* at *6.

8. *Id.* at *10.

notwithstanding allegations of ongoing infringement in the covenant not to sue itself.⁹

Other potentially significant opinions addressed the all-too-often fine line between nonfunctionality and functionality. Although the Sixth Circuit dodged the issue of the continued viability of aesthetic functionality within its borders,¹⁰ the Second Circuit declined to follow suit in the highly visible litigation over the validity of fashion designer Christian Louboutin's federally registered "lacquered red sole on footwear" mark for women's shoes.¹¹ Invoking the Supreme Court's decision in *Qualitex Co. v. Jacobson Products Co.*,¹² the latter court rejected the proposition that there was a bright-line rule against the protection of individual colors in the fashion industry: Rather, "*Qualitex* requires an individualized, fact-based inquiry into the nature of a trademark, and cannot be read to sanction an industry-based *per se* rule."¹³

On the utilitarian functionality front, the Federal Circuit led a hit parade of courts invalidating claims to trade dresses consisting of product designs as functional,¹⁴ but the most significant development was the Fourth Circuit's disposal of the concept of "defensive" functionality in *Rosetta Stone Ltd. v. Google, Inc.*¹⁵ That opinion had its origins in Google's AdWords program, pursuant to which marks can be "bought" as triggers for paid advertising appearing alongside the "organic" results returned by searches for those marks. Although the district court considered Google's use of the plaintiff's marks to be nonactionable because that use increased the functionality of Google's business model, the Fourth Circuit served up a reminder that the focus of the functionality inquiry is whether the plaintiff's claimed mark is functional, and not the use to which the defendant might put that

9. Although not addressed by the Court, the preamble to the covenant did not exactly exonerate the defendant from liability. Instead, it recited that "[the plaintiff] has recently learned that [the defendant's] actions complained of in the Complaint no longer infringe or dilute the [plaintiff's] Mark at a level sufficient to warrant the substantial time and expense of continued litigation and [the plaintiff] wishes to conserve resources relating to its enforcement of [its] Mark." *Quoted in Nike*, 663 F.3d at 92.

10. *See Maker's Mark Distillery, Inc. v. Diageo N. Am.*, 679 F.3d 410, 418 (6th Cir. 2012).

11. *Quoted in Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 2121 n.1 (2d Cir. 2012).

12. 514 U.S. 159 (1995).

13. *Christian Louboutin S.A.*, 696 F.3d at 222.

14. *See In re Becton, Dickinson and Co.*, 675 F.3d 1368 (Fed. Cir. 2012); *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677 (9th Cir. 2012); *Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963 (S.D. Cal. 2012); *Mobile Shelter Sys. USA, Inc. v. Grate Pallet Solutions, LLC*, 845 F. Supp. 2d 1241 (M.D. Fla. 2012).

15. 676 F.3d 144 (4th Cir. 2012).

mark. The appellate court's observations on the issue merit reproduction at length:

The district court did not conclude, nor could it, that Rosetta Stone's marks were functional product features or that Rosetta Stone's own use of this phrase was somehow functional. Instead, the district court concluded that trademarked keywords—be it ROSETTA STONE or any other mark—are “functional” when entered into Google's AdWords program

The functionality doctrine simply does not apply in these circumstances. The functionality analysis below was focused on whether Rosetta Stone's mark made Google's product more useful, neglecting to consider whether the mark was functional as Rosetta Stone used it. Rosetta Stone uses its registered mark as a classic source identifier in connection with its language learning products. Clearly, there is nothing functional about Rosetta Stone's own mark; use of the words “Rosetta Stone” is not essential for the functioning of its . . . products, which should operate no differently than if Rosetta Stone had branded its product “SPHINX” instead of ROSETTA STONE. Once it is determined that the product feature—the word mark ROSETTA STONE in this case—is not functional, then the functionality doctrine has no application, and it is irrelevant whether Google's computer program functions better by use of Rosetta Stone's nonfunctional mark.¹⁶

The biggest surprise where liability determinations were concerned was perhaps the Trademark Trial and Appeal Board's new-found love for the post-Trademark Dilution Revision Act¹⁷ version of Section 43(c) of the Lanham Act.¹⁸ After years of general skepticism toward likelihood-of-dilution claims, the Board found not only that three marks were sufficiently famous to qualify for protection against likely dilution, but also that dilution of the marks' distinctiveness was, in fact, likely. That tribunal, therefore, denied registration to the JUST JESU IT mark for athletic apparel as likely to dilute the distinctiveness of the JUST DO IT mark for overlapping goods,¹⁹ the MOTOWN METAL mark for toy vehicles and accessories as likely to dilute the distinctiveness of the MOTOWN mark for musical entertainment and musical recordings,²⁰ and the CRACKBERRY mark for various online

16. *Id.* at 161 (citation omitted).

17. Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c) (2012)).

18. 15 U.S.C. § 1125(c) (2012).

19. *See Nike, Inc. v. Maher*, 100 U.S.P.Q.2d 1018 (T.T.A.B. 2012).

20. *See UMG Recordings, Inc. v. Mattel, Inc.*, 100 U.S.P.Q.2d 1868 (T.T.A.B. 2011).

computer services and clothing items as likely to dilute the distinctiveness of the BLACKBERRY mark for smartphones and related goods and services.²¹

The Board also took parties to task for various transgressions of equally various substantive and technical rules. For example, it essentially opted out of much of Rule 26 of the Civil Rules of Civil Procedure in a case in which an applicant had aggressively pursued the discovery of electronically stored information from an opposer.²² The Board also confirmed that a notice of opposition against an application with a Section 66(a) basis²³ may not be amended to add new causes of action after it is filed.²⁴ Adopting a similar (but understandable) hard line, it excluded the trial testimony of a whopping twenty-six witnesses who were first identified in amended disclosures served six months after the proffering party's original disclosures.²⁵ Likewise, it refused to reset the testimony period of an opposer who had failed to file a trial brief but nevertheless claimed to have an ongoing interest in prosecuting the opposition.²⁶ And it invalidated a registration arising out of a Section 44(e) application²⁷ after determining that the European Union, which had issued the registration underlying the application, was not actually the "home country" of the registrant, a Turkish national.²⁸

These holdings notwithstanding, however, it was the Board's case law in another area that may prove to be of far greater consequence. The Board has increasingly demonstrated an interest in whether the owners of intent-to-use applications had a bona fide intent to use their marks in connection with each of the goods and services covered by the applications as of the applications' filing date.²⁹ That interest continued over the past year, but with a significant twist. In *Spirits International B.V. v. S.S. Taris Zeytin Ve Zeytinyagi Tarim satis Kooperatifleri Birliigi*,³⁰ the Board followed its usual practice of treating the inquiry into an

21. See *Research in Motion Ltd. v. Defining Presence Mktg. Grp.*, 102 U.S.P.Q.2d 1187 (T.T.A.B. 2012).

22. See *Frito-Lay N. Am., Inc. v. Princeton Vanguard, LLC*, 100 U.S.P.Q.2d 1904 (T.T.A.B. 2011).

23. See 15 U.S.C. § 1141f (2012).

24. See *CSC Holdings, LLC v. SAS Optimhome*, 99 U.S.P.Q.2d 1959 (T.T.A.B. 2011).

25. See *Great Seats, Inc. v. Great Seats, Ltd.*, 100 U.S.P.Q.2d 1323 (T.T.A.B. 2011).

26. See *Vital Pharm., Inc. v. Kronholm*, 99 U.S.P.Q.2d 1708 (T.T.A.B. 2011).

27. See 15 U.S.C. § 1126(e) (2012).

28. See *Kallamni v. Khan*, 101 U.S.P.Q.2d 1864 (T.T.A.B. 2012).

29. See, e.g., *L'Oreal S.A. v. Marcon*, 102 U.S.P.Q.2d 1434, 1443 (T.T.A.B. 2012) (finding that applicant lacked the required bona fide intent as of the filing date of his application).

30. 99 U.S.P.Q.2d 1545 (T.T.A.B. 2011).

applicant's bona fides as an objective one that is dependent on documentary evidence.³¹ In an apparent departure from the Federal Circuit's authority in the context of overbroad declarations of ongoing use,³² however, the Board suggested that the absence of a bona fide intent to use as to any particular good or service will result in the invalidation of an application (or any registration maturing from it) as to the entire class into which the problem good or service falls. Specifically, the Board observed that "to the extent that opposer is successful in proving a . . . lack of a bona fide intention to use the mark with respect to any of the goods in each class, . . . the opposition against the classes *in their entirety* would be sustained."³³

Although this statement was arguably dictum, that did not stop a federal district court from adopting and applying it in an infringement and unfair competition action.³⁴ The results were disastrous for the plaintiffs, which had placed two nonincontestable single-class registrations in play: The court concluded not only that the plaintiffs had lacked a bona fide intent to use their mark in connection with all the goods recited in the intent-to-use applications that had matured into their registrations, but also held that that defect invalidated the registrations in their entireties. Citing to *Spirits International*, the court explained that "proof of a lack of bona fide intent to use even one item in a class of goods on an intent-to-use application invalidates the application for that entire class."³⁵ The message for applicants should be clear: Unless and until the situation is clarified, the golden age of ever-expansive intent-to-use applications may be drawing to a close in the USPTO and the courts alike.

31. *See id.* at 1549.

32. *In re Bose Corp.*, 580 F.3d 1240, 1247 (Fed. Cir. 2009) (suggesting that the proper remedy for misstatements in a Section 8 declaration of continuing use, *see* 15 U.S.C. § 1058 (2012), is the "restriction" of the registration in question to remove only the problematic good or service).

33. *See Spirits Int'l*, 99 U.S.P.Q.2d at 1547 n.3 (emphasis added).

34. *See Bobosky v. adidas AG*, 843 F. Supp. 2d 1134 (D. Or. 2011).

35. *Id.* at 1141.

PART I. *EX PARTE* CASES

*By John L. Welch**

A. United States Court of Appeals for the Federal Circuit

1. Likelihood of Confusion

In re Viterra Inc.

In a precedential decision, the U.S. Court of Appeals for the Federal Circuit (CAFC) upheld the Trademark Trial and Appeal Board (TTAB or Board) in its affirmance of a Section 2(d) refusal to register the mark XCEED for agricultural seed, on the ground of likely confusion with the registered mark X-SEED & Design [SEED disclaimed] for agricultural seeds.³⁶ The appellate court ruled that the Board's factual findings were supported by substantial evidence, and it agreed with the Board's legal conclusion that confusion was likely.



The Board gave heavy weight to the identity between the goods, and it presumed that the goods travel in the same channels of trade to the same classes of customers (there being no limitations in the identifications of goods). It found that the literal portion of the cited mark was the dominant portion, that the literal portions of the two marks were at least virtually identical in sound, and that both marks played on the laudatory word “exceed.” As to appearance, the Board applied the (subsequently jettisoned) “reasonable manners” standard in considering the applied-for mark, finding that one reasonable variation of XCEED could include a large capital X followed by small letters.

Applicant Viterra's appeal focused on the first *du Pont*³⁷ factor, the similarity of the marks. Viterra argued that its standard character mark should not be construed so broadly as to cover the

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36. *In re Viterra Inc.*, 101 U.S.P.Q.2d 1905 (Fed. Cir. 2012).

37. *In re E.I. du Pont de Nemours & Co.*, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1973). The *du Pont* case sets forth the principal factors that “must be considered” in determining likelihood of confusion.

distinctive form of the cited mark, and that the marks were phonetically different and had different connotations.

Viterra urged the court to explain how standard character marks should be compared with design marks, and specifically argued that the court should “readdress and clarify” its ruling in *Citigroup, Inc. v. Capital City Bank Group, Inc.*³⁸ There, the CAFC scrapped the Board’s approach of considering the “reasonable manners” in which a standard character mark might be displayed, declaring that the TTAB “should not first determine whether certain depictions are ‘reasonable’ and then apply the *du Pont* analysis to only a subset of variations of a standard character mark.”³⁹ Rejecting Viterra’s argument, the CAFC confirmed the *Citigroup* approach:

“[T]he TTAB should simply use the *du Pont* factors to determine the likelihood of confusion between depictions of standard character marks that vary in font, style, size and color and the other mark.” *Citigroup*, 98 U.S.P.Q.2d at 1259. We noted [in *Citigroup*], as we had in prior cases, that “illustrations of the mark as actually used may assist the T.T.A.B. in visualizing other forms in which the mark might appear.” *Id.* Accordingly, our decision in *Citigroup* discarded the Board’s “reasonable manners” standard in favor of a standard that allows a broader range of marks to be considered in the *du Pont* analysis when a standard character mark is at issue.⁴⁰

Although the Board applied the “reasonable manners” approach to Viterra’s mark, that did not change the outcome. *Citigroup* broadened the range of variations that could be considered (i.e., not just “reasonable” ones), and so the Board’s approach was actually more favorable to Viterra than the *Citigroup* approach.

Viterra also contended that *Citigroup* should apply only in *inter partes* proceedings, but the CAFC saw no reason to make that distinction: “It would indeed be strange if a standard character mark were given a more limited view during *ex parte* examination than in *inter partes* proceedings, particularly since *inter partes* proceedings are intended to be a backstop for the examination process.”⁴¹

Viterra next argued that the dominant portion of its mark was the letter “X,” but the court found that substantial evidence

38. *Citigroup, Inc. v. Capital City Bank Grp., Inc.*, 98 U.S.P.Q.2d 1253 (Fed. Cir. 2011).

39. *In re Viterra Inc.*, 101 U.S.P.Q.2d at 1910 (quoting *Citigroup, Inc. v. Capital City Bank Grp., Inc.*, 98 U.S.P.Q.2d at 1259).

40. *Id.*

41. *Id.*

supported the Board's position that the literal element "X-seed" was the dominant portion. The fact that SEED was disclaimed in the cited mark did not affect its inclusion in the dominant portion of the mark.

With regard to sound, the court once again proclaimed that there is no correct pronunciation of a mark.⁴² Any minor differences in the sound of the marks might go undetected by consumers. Finally, as to connotation the court again refused to disturb the Board's factual finding that it was "reasonable" that purchasers might give the same laudatory meaning to both marks.

And so the court concluded that any minor differences in the marks were insufficient to outweigh the remaining *du Pont* factors.

2. Mere Descriptiveness

In re The Chamber of Commerce of the United States of America

In an enervating yet precedential ruling, the CAFC upheld the TTAB's affirmance of two refusals to register the mark NATIONAL CHAMBER, finding it to be merely descriptive of certain chamber of commerce-related services.⁴³

The court agreed with the TTAB's conclusion, based on dictionary definitions and the applicant's own website, that:

[i]t takes no mental leap to understand that applicant is using the mark for the services in both applications as a national chamber of commerce, whether promoting the interests of businesspersons or industry on a national level, or connecting local chambers of commerce through a nationwide network.⁴⁴

The TTAB's determination of mere descriptiveness is a factual finding reviewed by the CAFC for substantial evidence.⁴⁵ The appellate court concluded that substantial evidence supported the Board's finding under Section 2(e)(1).

The CAFC found that NATIONAL CHAMBER immediately conveys information about a feature or characteristic of at least one of the services designated by the applicant in each of its two applications. As to one application, NATIONAL CHAMBER was descriptive of "[p]roviding online directory information services

42. See *Interlego AG v. Abrams/Gentile Entm't Inc.*, 63 U.S.P.Q.2d 1862, 1863 (T.T.A.B. 2002) (MEGO confusingly similar to LEGO, despite contention that consumers would pronounce MEGO as "me go").

43. *In re The Chamber of Commerce of the United States of America*, 102 U.S.P.Q.2d 1217 (Fed. Cir. 2012).

44. *Id.* at 1219.

45. *In re Bayer Aktiengesellschaft*, 488 F.3d 960, 963, 82 U.S.P.Q.2d 1828, 1831 (Fed. Cir. 2007).

featuring information regarding local and state Chambers of Commerce.” In the other, NATIONAL CHAMBER described the “expressly-recited function” of various services listed in the application, such as policy analysis and data analysis, performed “for the purposes of promoting the interests of businessmen and businesswomen.”

3. Functionality

In re Becton, Dickinson and Co.

A divided panel of the CAFC affirmed the TTAB’s decision⁴⁶ refusing registration, on the ground of functionality, of the product configuration shown below for a closure cap for blood collection tubes.⁴⁷ The majority ruled that the Board did not commit legal error by weighing the functional and nonfunctional features of the design against each other in order to determine whether the design was *de jure* functional. The dissent maintained that this “weighing” of the individual elements was improper because, under Section 2(e)(5) of the Lanham Act,⁴⁸ the design must be considered “as a whole,” and it further concluded that the Board’s factual findings were not supported by substantial evidence.



In its decision, the Board gave less weight to less prominent features of the design, such as the precise spacing or shape of the ribs, because it found them to be incidental and barely discernible when the mark was viewed. The applicant challenged two aspects of the Board’s functionality ruling: the determination that certain admittedly nonfunctional features of the mark did not remove the mark from the functionality ban, and the Board’s *Morton-*

46. *In re Becton, Dickinson and Co.*, Serial No. 77254637 (T.T.A.B. July 27, 2010).

47. *In re Becton, Dickinson and Co.*, 102 U.S.P.Q.2d 1372 (Fed. Cir. 2012).

48. Section 2(e)(5), 15 U.S.C. § 1052(e)(5), bars registration of a mark that “comprises any matter that, as a whole, is functional.”

*Norwich*⁴⁹ analysis, which the applicant maintained was not supported by substantial evidence. The first issue was a question of law, the second a question of fact reviewable under a more deferential standard.

As to the first issue, the panel majority observed that “one object of the *Morton-Norwich* inquiry is to weigh the elements of a mark against one another to develop an understanding of whether the mark as a whole is essentially functional and thus non-registrable.”⁵⁰

[T]he Board committed no legal error by weighing the functional and non-functional features of BD’s mark against each other. Our functionality precedent indeed mandates that the Board conduct such an assessment as part of its determination of whether a mark in its entirety is overall de jure functional. As the court explained in *Morton-Norwich*, “we must strike a balance between the ‘right to copy’ and the right to protect one’s method of trade identification.” 671 F.2d at 1340.⁵¹

The majority then considered the Board’s factual findings under *Morton-Norwich*. It found that the Board did not err in relying on statements in Becton’s patent specification (not the claims) as support for finding that at least two elements of the design were functional (the circular opening in the top allows for a needle to puncture the cap and the ribs on the side provide a gripping surface). Becton’s design patents might have provided some support for nonfunctionality, but the patented designs were not identical to the applied-for mark.

Substantial evidence also supported the Board’s finding that the applicant’s advertising touted the utilitarian advantages of the design. Because Becton’s utility patent coupled with its advertising established functionality, there was no need for the Board to consider alternative designs. Nonetheless, the Board proceeded to consider, and to dismiss, three proffered alternative designs as nonprobative, a finding that was supported by substantial evidence. As to the fourth *Morton-Norwich* factor, the relative cost of manufacture, the evidence was scant and the Board did not err in refusing to weigh this factor.

49. *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 213 U.S.P.Q. 9 (C.C.P.A. 1982). The *Morton-Norwich* factors, used in determining functionality, are: (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design’s utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.

50. *In re Becton, Dickinson and Co.*, 102 U.S.P.Q.2d at 1376.

51. *Id.*

The panel majority concluded that the Board committed no legal error and that its factual findings were supported by substantial evidence.

Judge Linn dissented. He observed that in *Morton-Norwich*, the CCPA reversed a finding that a spray bottle design was *de jure* functional because of a lack of evidence that the shape of the bottle and the spray top were dictated by function. The evidence there showed that each feature could take on a number of diverse forms.

Judge Linn found the facts here to be very much like those in *Morton-Norwich*, and he asserted that the Board and the majority overlooked the arbitrary nature of Becton's overall design:

There is no evidence that: (1) the hole in the top *must* be that particular shape and size for a needle to pass through the opening; (2) the side of the cap *must* possess horizontally spaced ribs in the precise shape, size, and spacing depicted in BD's design to provide for increased grip; or (3) the bottom lip *must* be flanged and tapered in the precise manner depicted to avoid being unsafe.⁵²

As to the Board's *Morton-Norwich* analysis, Judge Linn pointed out that the claims of Becton's patent did not cover the appearance or pattern of the ridges, the flanged lip, or the top opening of the applied-for design. Although Becton's advertising did lend support to a finding of functionality, the advertising also supported a finding of nonfunctionality because it indicated the existence of alternative designs (because the designs shown were not identical to the applied-for mark).

The Board and the majority, according to Judge Linn, "discounted the most probative evidence submitted in this case—the design patents and evidence of alternative designs."⁵³ The existence of three distinct design patents showed that the shape of the container could be varied and still perform the same function. The two third-party alternative designs were wrongly discarded. And Becton's evidence that its design did not result from a cheaper method of manufacture, even if scant, should have been considered.

Thus Judge Linn concluded that the Board committed legal error in failing to analyze the design as a whole, and further that its factual findings were not supported by substantial evidence.

52. *Id.* at 1380. (Emphasis in original).

53. *Id.* at 1381.

B. Trademark Trial and Appeal Board

1. Immoral or Scandalous

In re Luxuria, s.r.o.

The Board affirmed a Section 2(a)⁵⁴ refusal to register the bottle design shown below, for various beverages, on the ground that the mark “would be regarded as vulgar by a substantial composite of the general public,” and therefore the mark was “scandalous or immoral.”⁵⁵ The applicant argued that, under contemporary attitudes, the “giving the finger” gesture is not scandalous or immoral if not directed at a particular individual or group. The Board was not persuaded.



Before reaching the substantive issue, the Board pointed its collective finger at the applicant and its actions during this appeal. The applicant twice sought to have the case remanded to the examining attorney in order to submit certain additional evidence, but the Board refused to remand because the requests came late in the appeal (after briefs were filed) and the applicant did not explain why it could not have found this evidence earlier.

Nonetheless, the applicant proceeded to attach that same evidence to its reply brief. The Board “was at a loss to understand why applicant would submit material in this manner, when the Board had previously denied its requests for remand,”⁵⁶ and it refused to accept the evidence and the reply brief (which discussed the attached material at length). The Board pointedly pointed out: “We cannot help but note the convergence between applicant’s actions toward the Board and the message conveyed by its mark.”⁵⁷

Turning to the Section 2(a) issue, the applicant acknowledged that its design configuration represented what is commonly

54. 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 immoral . . . or scandalous matter . . .”

55. *In re Luxuria, s.r.o.*, 100 U.S.P.Q.2d 1146 (T.T.A.B. 2011).

56. *Id.* at 1147-48.

57. *Id.* at 1148 n.3.

referred to as “giving the finger” or “giving the bird.” The examining attorney submitted pertinent dictionary/reference material listings and Internet articles, and the Board took judicial notice of several additional dictionary definitions. Although dictionary definitions are alone enough to establish that a mark is scandalous to a substantial composite of the general public,⁵⁸ here the evidence also included other definitions and articles.

Moreover, the identified goods are general consumer products that could appear in grocery stores and be viewed by parents shopping with their children. “[E]ven if some individuals might personally find bottles ‘giving the finger’ funny, many, if not all, of these individuals would not find it funny to expose their children to such a configuration.”⁵⁹

As to the applicant’s arguments, the Board probed the record and found the evidence to be “sufficiently contemporaneous with the examination of the subject application that [it] reflect[s] contemporary viewpoints.”⁶⁰ Moreover, the limited evidence to the effect that some people view the gesture as funny was not sufficient to show that it is acceptable to the general public.

Finally, the Board rejected the applicant’s attempt to distinguish this mark from a gesture aimed at a particular individual.

Not to put too fine a point on it, the gesture depicted by applicant’s mark is the visual equivalent of an extremely offensive expletive. Just as these words would be considered scandalous and immoral if used as a trademark, even if it was not clear to whom the insult was directed, the visual depiction of these words by the finger gesture shown in applicant’s mark is equally scandalous and immoral.⁶¹

And so the Board ruled that the United States Patent and Trademark Office (USPTO) had met its burden to show that the applied-for mark “comprises matter that would be regarded as vulgar by a substantial composite of the general public,”⁶² and therefore the Board deemed the mark “scandalous or immoral” under Section 2(a).

58. *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336, 67 U.S.P.Q.2d 1475, 1480 (Fed. Cir. 2003).

59. *In re Luxuria, s.r.o.*, 100 U.S.P.Q.2d at 1149.

60. *Id.* at 1150.

61. *Id.* at 1151.

62. *See In re Boulevard Entm’t, Inc.*, 67 U.S.P.Q.2d at 1477 (Fed. Cir. 2003).

2. Official Governmental Insignia

In re Government of the District of Columbia

In a case of first impression, the TTAB ruled that Section 2(b)⁶³ of the Trademark Act bars a governmental body from registration of its official insignia.⁶⁴ More specifically, it affirmed a refusal to register the official seal of the District of Columbia for various goods, including clocks, cufflinks, memo pads, pens and pencils, cups and mugs, and assorted clothing items.



Section 2(b), in pertinent part, prohibits registration of any mark that “consists of or comprises the . . . insignia of . . . any . . . municipality.” Here there was no dispute that the District of Columbia qualified as a “municipality” under the statute, nor that the applied-for mark was its official seal.

The Board found the language of Section 2(b) to be “plain and clear on its face.”⁶⁵ The text of the statute provides for no exception to the ban on registration, even when a governmental entity is the applicant.

The District of Columbia argued that, based on Congressional intent, Section 2(b) should be interpreted to include an exception for governmental entities seeking to register their own insignia. But the Board noted that such an exception is absent from the statutory text, and it refused to presume that Congress intended such an exception. The Board pointed out that Sections 2(c)⁶⁶ and 2(d)⁶⁷ contain express exceptions similar to those proposed by the

63. Section 2(b) of the Lanham Act, 15 U.S.C. § 1052(b), bars registration of a mark that “[c]onsists of or comprises the flag or coat of arms or other insignia of the United States, or of any State of municipality, or of any foreign nation, or any simulation thereof.”

64. *In re Gov’t of the Dist. of Columbia*, 101 U.S.P.Q.2d 1588 (T.T.A.B. 2012).

65. *Id.* at 1593.

66. Section 2(c), 15 U.S.C. § 1052(c), in pertinent part, bars registration of a mark that consists of or comprises the name, portrait, or signature of a deceased president of the United States during the life of his widow, except by the written consent of the widow.

67. Section 2(d), 15 U.S.C. § 1052(d), bars registration of a mark that would be likely to cause confusion with a prior mark, but only if the prior mark is used or registered “by another.”

applicant. Those provisions clearly show that Congress is fully capable of providing statutory exceptions when it intends to do so. Moreover, Congress has revisited the trademark law numerous times in the 100 years since the prohibition against registering governmental indicia was first enacted, and it has not provided the proposed exception. Consequently, the Board found it hard to believe that Congress intended this exception but failed to expressly provide it.

The applicant contended that this prohibition was originally enacted with the intent of implementing the Paris Convention,⁶⁸ whose aim was to prohibit others from registering government indicia, not governments themselves. The Board, however, pointed out that this prohibition was first enacted into United States trademark law in 1905. Although the Paris Convention now does not require signatories to the Convention to prohibit registration of official insignia when authorized by the relevant government body, prior to 1911 there was no mention of a “registration with authorization” exception. This suggests that prior to 1911, the ban on such registrations was to be applied to all such marks, regardless of authorization or the identity of the applicant. Thus it might be presumed that in 1905, Congress intended to adopt the more restrictive approach of the 1883 text of the treaty that was then in effect.

Moreover, the fact that Section 6*ter* of the current Paris Convention does not require the United States to bar registration of all governmental insignia was of no help to the applicant because the Paris Convention is not self executing.⁶⁹ It creates no rights that the applicant can directly rely on. Even if it were self-executing, the Convention requires only that signatories *refuse* registration without authorization. It does not require signatories to *accept* registration when authorized.

The applicant also argued that the central purpose of the provisions of Section 2 of the Lanham Act is to prevent confusion, whereas registration of indicia by the pertinent governmental body would not result in confusion. But the Board easily knocked down that argument, pointing to the ban on immoral and scandalous marks found in Section 2(a) and the various provisions of Section 2(e), none of which, according to the Board, relates to confusion. Likewise, Section 2(b) prohibits registration of marks regardless of whether confusion is involved.

The applicant next maintained that Section 2(b) was ambiguous, as evidenced by the USPTO’s issuance of three third-

68. International Convention for the Protection of Industrial Property, Mar. 20, 1883, 25 Stat. 1372, T.S. 379.

69. See *In re Rath*, 402 F.3d 1207, 74 U.S.P.Q.2d 1174, 1175-76 (Fed. Cir. 2005).

party registrations for governmental insignia, as well as to the TTAB's decision in *In re U.S. Department of the Interior*,⁷⁰ wherein the Board reversed a refusal to register a logo of the National Park Service. The Board observed, however, that in the *Interior* case it concluded that the involved logo was not the type of mark prohibited by Section 2(b) because it was not an official insignia of national authority. In other words, Section 2(b) does not bar a government body from registration of any and all marks, just insignia of the same class as the flag or coats of arms of the United States.

As to the third-party registrations, the actions of the examining attorneys in approving these applications did not create any ambiguity in the statute, nor did they provide the applicant with a right to register its mark. The Board pointed out that arguments based on alleged examining inconsistencies have been consistently rejected.⁷¹ Each mark must be reviewed on the record submitted with the application. "Simply put, the goal of consistency does not require that [the Board] ignore a statutory directive."⁷²

Finally, the applicant argued that Section 2(b), as applied, was unconstitutional because it denied the applicant its Fifth Amendment right to due process, and the refusal of its application was unconstitutional because it discriminated against the applicant in view of the three third-party registrations of record. The Board disagreed on both points but more importantly observed that the TTAB is not an Article III court and has no authority to declare provisions of the Trademark Act unconstitutional.⁷³

In re City of Houston

Following its reasoning in the *District of Columbia* case, discussed above, the Board affirmed a Section 2(b) refusal to register the official seal of the City of Houston for various municipal services.⁷⁴

70. *In re U.S. Dep't of the Interior*, 142 U.S.P.Q. 506 (T.T.A.B. 1964).

71. *In re Nett Designs Inc.*, 57 U.S.P.Q.2d 1564 (Fed. Cir. 2001).

72. *In re Gov't of the Dist. of Columbia*, 101 U.S.P.Q.2d at 1600.

73. *See, e.g., Harjo v. Pro Football, Inc.*, 50 U.S.P.Q.2d 1705, 1710 (T.T.A.B. 1999).

74. *In re City of Houston*, 101 U.S.P.Q.2d 1534 (T.T.A.B. 2012).



Applicant Houston asserted that the statute is “silent” as to whether governmental entities may register their own official insignia, but the Board flatly disagreed. Section 2(b) categorically provides that *all* such insignia are barred from registration. It need not set forth or spell out every subset of marks that falls within the ban.

Houston contended that Section 2(b) was enacted to prevent desecration of the flag and other government symbols by denying their registration, but not to prevent government bodies from protecting their own insignia. The Board was unable to verify the applicant’s theory regarding enactment of Section 2(b), but even if it accepted the applicant’s premise, it does not necessarily follow that Congress intended that governments should be able to register their own indicia; rather it appears that Congress chose a complete ban on registration of such indicia in order to prevent their commercial exploitation. As pointed out in the *District of Columbia* decision, Congress could easily have provided an exception in Section 2(b), but it did not do so. Accordingly, the Board presumed that Congress intended Section 2(b) to apply universally, regardless of the identity of the applicant.

Relying on certain language in *In re U.S. Department of the Interior*,⁷⁵ the applicant maintained that it sought registration of its seal not as a “symbol of authority,” but rather in connection with specific municipal services, and therefore its application fell outside the Section 2(b) bar. The Board, however, found that to be a misreading of *Interior* because that case did not support the contention that the nature of the involved goods or services is a factor in determining whether Section 2(b) prohibits registration.

The Board in *Interior* decided that the mark in question was not of the type that falls within Section 2(b) because it was not similar in kind to the flag or Great Seal of the United States. In *Interior*, the Board discussed the nature of the services involved only in the context of determining whether the mark was, in fact, “the flag or coat of arms or other insignia” of the government. If

75. *In re U.S. Dep’t of the Interior*, 142 U.S.P.Q. 506 (T.T.A.B. 1964), discussed *supra*.

the mark is never used as an emblem of authority but only to identify some service or program provided by a government agency,⁷⁶ the mark does not fall within Section 2(b). However, if it is determined that the mark does fall within the Section 2(b) prohibition, then the goods or services identified in the application to register are irrelevant. Here, the City of Houston's seal was admittedly an official insignia under Section 2(b), and the applicant's discussion of the particular services recited in its application was of no import.

Finally, Houston pointed to the USPTO's inconsistent treatment of such marks, relying on a list of thirteen third-party registrations. The Board noted that the list was of little probative value because it was not even clear that the involved marks were official governmental insignia. In any event, even assuming that the listed registrations were inconsistent with the refusal to register in this case, reversal was not required. The Board is not bound by prior decisions of examining attorneys, nor do applicants have a substantive right to consistency.⁷⁷ The Board must decide each case on the record before it.

The Board agreed with the applicant that legal determinations should be applied consistently, but the TTAB's obligation is to make the decision correctly. This obligation may not be abdicated to examining attorneys. To the contrary, it is the Board's role to correct the examining attorney who applies an incorrect legal standard when the case comes before the Board. Even if all of the listed registrations should have been refused registration, those errors did not require the USPTO to improperly register the applicant's mark.⁷⁸

3. Likelihood of Confusion

a. Likelihood of Confusion Found

In re Accelerate s.a.l.

Affirming a Section 2(d) refusal to register the mark COLOMBIANO COFFEE HOUSE for "providing food and drink" [COFFEE HOUSE disclaimed], the Board found the mark likely to cause confusion with the registered certification mark COLOMBIAN for "coffee."⁷⁹

The same test for likelihood of confusion applies to certification marks as to trademarks: the *du Pont* analysis. But

76. In *In re U.S. Dep't of the Interior*, the mark was used in connection with recreational and educational services and not as an official seal of the government.

77. *In re Nett Designs Inc.*, 57 U.S.P.Q.2d 1564, 1566 (Fed. Cir. 2001).

78. *See In re Shinncock Smoke Shop*, 91 U.S.P.Q.2d 1218, 1221 (Fed. Cir. 2009).

79. *In re Accelerate s.a.l.*, 101 U.S.P.Q.2d 2047 (T.T.A.B. 2012).

because the certification mark owner does not use the mark, the Board considers the mark as applied to the goods or services of the users of the certification mark.⁸⁰

Not surprisingly, the Board found the dominant portion of the applied-for mark to be the word COLOMBIANO; it also found the marks to be very similar in appearance and sound and the connotations and commercial impressions of the marks to likewise be very similar. Spanish-speaking consumers will recognize COLOMBIANO as the Spanish equivalent of “Colombian,” both words denoting something from the country of Colombia. Other consumers, because of the near visual and aural identity of the terms, would likely conclude that they had similar meanings. Because Colombia was renowned for coffee beans, consumers would perceive the applicant’s mark as indicating that the applicant serves Colombian coffee. The certification mark likewise connoted that the coffee bearing the mark comes from Colombia.⁸¹ In sum, the Board found the marks to be “overall very similar.”⁸²

As to the involved goods and services, the Board recognized that, under *Jacobs v. International Multifoods*,⁸³ food items and restaurant services are not automatically considered to be related for Section 2(d) purposes. “Something more” is required. Here, the applicant’s website indicated that it rendered coffee house services. Third-party registrations showed that services of the type identified by the applicant might emanate from the same source as coffee products. That was enough to meet the *Jacobs* requirement.

The Board concluded that consumers encountering the applicant’s services offered under the mark COLOMBIANO COFFEE HOUSE would likely believe that the applicant was authorized to use the certification mark, and would assume that the applicant was licensed by or associated with the registrant.

b. Likelihood of Confusion Not Found

In re Hartz Hotel Services, Inc.

The Board reversed a Section 2(d) refusal of GRAND HOTELS NYC for hotel services [HOTELS NYC disclaimed], finding the mark not likely to cause confusion with the registered mark

80. *Motion Picture Ass’n of Am., Inc. v. Respect Sportswear, Inc.*, 83 U.S.P.Q.2d 1555, 1559 (T.T.A.B. 2007).

81. The registration provided the standards and conditions for Columbian coffee certified by the Republic of Colombia, specifying the types of beans, the region of Colombia, and characteristics of the coffee certified.

82. *In re Accelerate*, 101 U.S.P.Q.2d at 2050.

83. *Jacobs v. Int’l Multifoods Corp.*, 668 F.2d 1234, 212 U.S.P.Q. 641, 642 (C.C.P.A. 1982). (“[t]o establish likelihood of confusion a party must show something more than that similar or even identical marks are used for food products and for restaurant services”).

GRAND HOTEL for hotel, restaurant, and convention services [HOTEL disclaimed].⁸⁴ Dictionary definitions, third-party registrations, and Internet evidence showed the word GRAND to be a weak formative in the hotel field, leading the Board to conclude that the addition of NYC to GRAND HOTEL was enough to distinguish the marks.

Because the cited mark GRAND HOTEL was registered, it was entitled to a presumption of validity under Section 7(b).⁸⁵ Therefore GRAND HOTEL could not be treated as merely descriptive; at most it could be considered a highly suggestive, laudatory term, as evidenced by third-party registrations, third-party use, and dictionary definitions.

Applicant Hartz submitted copies of five registrations, owned by different entities, for marks that included the term “Grand Hotel” or “Grande Hotel” for hotel services: THE GRAND HOTEL AT MOUNTAINEER, THE SOUTH’S GRAND HOTEL, ANCHORAGE GRAND HOTEL & Design, LOUISVILLE’S GRAND HOTEL, and FORT LAUDERDALE GRANDE HOTEL & YACHT CLUB. A private investigator confirmed the use of “Grand/Grande Hotel” marks in seven locations (including Geiser Grand Hotel, Wilshire Grand Hotel, and Bellissimo Grande Hotel), and the applicant submitted website pages for ten “Grand Hotel” locations (including The Grand Hotel Minneapolis, The Grand Hotel Ocean City, North Conway Grand Hotel, Pensacola Grand Hotel, and Jerome Grand Hotel).

The Board relied on *Plus Products v. Natural Organics, Inc.*,⁸⁶ which involved an unsuccessful opposition to the mark NATURE’S PLUS for vitamins in view of PLUS for vitamins. There, the evidence included eight third-party registrations issuing prior to the opposer’s registration, and seven issuing after, all for marks including the word PLUS for vitamins or closely related goods. The Board inferred that opposer Plus Products was satisfied to register PLUS side by side with eight existing PLUS registrations, that the USPTO historically has registered PLUS marks for vitamins as long as the marks included some difference, and that a number of owners believed that various PLUS marks could co-exist on the register without causing confusion, provided there were differences between the marks. The Board applied the same reasoning here.

The Board found that the strength or weakness of the cited mark was the most important factor in its likelihood-of-confusion analysis. It concluded that the addition of NYC to the applicant’s

84. *In re Hartz Hotel Servs., Inc.*, 102 U.S.P.Q.2d 1150 (T.T.A.B. 2012).

85. Section 7(b) of the Lanham Act, 15 U.S.C. § 1057(b), provides, in pertinent part, that “[a] certificate of registration of a mark upon the principal register . . . shall be prima facie evidence of the validity of the registered mark and of the registration of the mark . . .”

86. *Plus Prods. v. Natural Organics, Inc.*, 204 U.S.P.Q. 773 (T.T.A.B. 1979).

mark was sufficient to distinguish the applied-for mark from that of the cited registration.

Because of the highly suggestive nature of the mark “Grand Hotel,” the proliferation of registered “Grand Hotel” marks and the unregistered uses of “Grand Hotel” marks, the mark “Grand Hotel,” itself, is entitled to only a very narrow scope of protection or exclusivity of use. Further, because of the highly suggestive nature of GRAND HOTEL and the number of third-party GRAND HOTEL marks, we conclude that consumers are able to distinguish between different GRAND HOTEL marks based on small differences in the marks, including the addition of a geographic term.⁸⁷

In re Strategic Partners, Inc.

Although the applied-for mark ANYWEAR (Stylized) for footwear would usually be considered confusingly similar to the cited mark ANYWEAR BY JOSIE NATORI & Design for “jackets, shirts, pants, stretch t-tops, and stoles,” this was not the usual case. The applicant already owned a registration for the plural ANYWEARS in standard character form, for footwear, which registration had co-existed with the cited registration for more than five years. In this “unique situation,” the Board found confusion unlikely.⁸⁸



There was no question that the two marks at issue were similar, because each was dominated by the word ANYWEAR. Third-party registrations and Internet evidence showed that the goods were related. The Board “would conclude, under usual circumstances, that confusion is likely to occur among consumers in the marketplace.”⁸⁹ But this was “an unusual situation.”⁹⁰ The Board had to “balance the similarities between the marks and goods against the facts that applicant already owns a registration for a substantially similar mark for the identical goods, and that

87. *In re Hartz Hotel Servs., Inc.*, 102 U.S.P.Q.2d at 1155.

88. *In re Strategic Partners, Inc.*, 102 U.S.P.Q.2d 1397 (T.T.A.B. 2012).

89. *Id.* at 1399.

90. *Id.*

applicant's registration and the cited registration have coexisted for over five years."⁹¹

Under the thirteenth *du Pont* factor, the Board may consider "any other established fact probative of the effect of use." This factor "accommodates the need for flexibility in assessing each unique set of facts."⁹²

Because the applicant registered its mark ANYWEARS in standard character form, the registration covers the mark regardless of font size, style, or color, including the identical style depicted in its applied-for mark.⁹³ Consequently, there was "no meaningful difference between the standard character and stylized versions of applicant's marks."⁹⁴ Moreover, the difference between the singular and the plural forms of ANYWEAR was not meaningful because consumers were not likely to perceive the slight difference between them. Finally, the Board noted that the applicant's registered mark was no longer vulnerable to attack via a claim of priority and likelihood of confusion.

The Board found that these facts tipped the balance in favor of the applicant.⁹⁵

4. Mere Descriptiveness

In re theDot Communications Network LLC

Brushing aside several third-party service mark registrations for top-level domain (TLD) marks, the Board affirmed a refusal to register the mark .MUSIC in each of five applications, for domain registration and hosting services, various computer-related services, and music-related goods, on the ground that the mark was merely descriptive under Section 2(e)(1).⁹⁶

The examining attorney maintained that music was a feature of the applicant's goods and services, and that the period at the beginning of the mark was merely punctuation and did not alter the commercial impression of the mark as being something more than just the word "music." The applicant asserted that .MUSIC

91. *Id.*

92. *Id.*

93. *Id.* (citing *In re Viterra, Inc.*, 101 U.S.P.Q.2d 1905 (Fed Cir. 2012), discussed in Part I.A.1. *supra*).

94. *Id.*

95. The Board noted that it was not applying the *Morehouse* defense, an equitable affirmative defense that may be asserted in an *inter partes* proceeding. Under *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 160 U.S.P.Q. 715 (C.C.P.A. 1969), a defendant may claim that, because of its ownership of a registration for the same or substantially identical mark for the same or substantially identical goods/services, plaintiff cannot be damaged by registration of the challenged mark.

96. *In re theDot Commc'ns Network LLC*, 101 U.S.P.Q.2d 1062 (T.T.A.B. 2011).

was arbitrary with respect to many of the identified services. Furthermore, a TLD did have a source-identifying function, because, by definition, the domain names from a particular TLD emanate from only one domain registry source.

The applicant further argued that the USPTO has a practice of allowing registration of top-level domains, including such ICANN-accredited TLDs as dotam, dotfm, .travel, .nu domain, and dotCoop, as well as nonaccredited but proposed TLD strings. It noted that all of these registrations include domain registration services, and may include a much broader variety of online services.

The Board, however, observed that the situation has changed since 1989, when the first few TLDs were created. In 2000, a dozen more were announced, another one was announced in 2005, and in 2010 the .xxx TLD was approved. Furthermore, in 2011 ICANN announced that it would greatly increase the number of top-level domains by allowing nearly any new name in any language.

As a result, the Board noted, there are groups seeking various top-level domain names, including a group (unaffiliated with the applicant) that is seeking the name “.music,” which is intended for use by musicians and the music industry. The Board concluded that the public will perceive .MUSIC as a top-level domain associated with the field of music, in view of the concerted public effort to build support for its use as a top-level domain in that field.

This finding is based on the current marketing environment which is different than the marketing environment when many of the third-party registrations relied upon by applicant were issued. When many of the third-party registrations were issued, ICANN was not considering expansion of the roster of domain name extensions. Nor does the record reveal active campaigns to obtain TLD status for the marks in those registrations as there is for the .music top-level domain. Therefore, the third-party registrations submitted by applicant for marks consisting of “dot _____” or “_____” have very limited probative value . . . ⁹⁷

Turning then to the goods and services identified in the five applications, the Board found the mark to be descriptive of “registration of domain names for identification of users on a global computer network,” because consumers would expect “.music” to identify the registration of domain names for a music-related top-level domain. Likewise the mark is descriptive of Internet hosting services, music publishing and entertainment

97. *Id.* at 1067.

services, online directory services, and, finally, downloadable content.

And so the Board affirmed the Section 2(e)(1) refusal in all five applications.

In re Accelerate s.a.l.

In addition to its affirmance of the USPTO's Section 2(d) refusal, the Board affirmed a Section 2(e)(1) refusal to register the mark COLOMBIANO COFFEE HOUSE, finding the applied-for mark to be merely descriptive of "providing food and drink" [COFFEE HOUSE disclaimed].⁹⁸

The examining attorney maintained that COLOMBIANO COFFEE HOUSE immediately describes the nature of, or a key feature of, the applicant's services: a coffee house offering Colombian coffee. The Board agreed. Based on the record evidence, it found that consumers will immediately understand the term COLOMBIANO to describe a particular type of coffee that the applicant will serve—that is, coffee that has certain qualities and characteristics associated with authentic Colombian coffee.

The Board noted that the examining attorney did not refuse registration on the ground of geographical descriptiveness under Section 2(e)(2),⁹⁹ or deceptive misdescriptiveness under Section 2(e)(3),¹⁰⁰ although those grounds were conceivably applicable, but rather on nongeographical grounds.

5. Primarily Geographically Deceptively Misdescriptive

In re Compania de Licores Internacionales S.A

Providing a detailed discussion of Section 2(e)(3),¹⁰¹ the Board affirmed a refusal to register OLD HAVANA for rum, finding the mark to be primarily geographically deceptively misdescriptive of

98. *In re Accelerate s.a.l.*, 101 U.S.P.Q.2d 2047 (T.T.A.B. 2012).

99. Section 2(e)(2) of the Lanham Act, 15 U.S.C. § 1052(e)(2), in pertinent part, bars registration of a mark that "when used on or in connection with the goods of the applicant is primarily geographically descriptive of them."

100. 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."

101. *See* note 100. There are four elements that must be met to invoke the bar of Section 2(e)(3): (1) The primary significance of the mark is a generally known geographic place; (2) The goods or services do not originate in the place identified in the mark; (3) Purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark; and (4) The misrepresentation would be a material factor in a substantial portion of the relevant consumers' decision to buy the goods or use the services. *In re Spirits Int'l N.V.*, 563 F.3d 1347, 90 U.S.P.Q.2d 1489, 1490-95 (Fed. Cir. 2009); *In re California Innovations*, 329 F.3d 1334, 66 U.S.P.Q.2d 1853, 1858 (Fed. Cir. 2003).

the goods.¹⁰² The Board also briefly addressed and quickly rejected the applicant's claim of acquired distinctiveness under Section 2(f), for lack of sufficient evidence.

It was undisputed that Havana was a generally known geographic location, and the Board found the primary significance of "Havana" to be geographic. Adding the term OLD did not diminish that primary significance. "Old Havana" was more than a historical reference; in fact, there was a section of Havana that was referred to by the name "Old Havana."

The record did not support the applicant's assertion that OLD HAVANA primarily evoked a particular lifestyle of a bygone era. Moreover, even if this connection were established, it would not overcome the primary geographic significance of the mark; the connection might have been made precisely because Havana was a city in Cuba. Nor did the evidence support the assertion that there was a "Havana" style or method of rum production.

There was no dispute that the applicant's rum did not originate in Havana, Cuba. As to the connection between rum and Cuba, and particularly Havana, the record showed that rum was the most famous alcoholic product of Cuba. In fact, Cuba was called the Island of Rum. The applicant argued that consumers knew that they could not buy "real" Cuban rum because of embargo restrictions, and so they would not believe that the applicant's rum came from Cuba. Instead they would ascribe the other meanings to "Havana." The Board, however, observed that it had rejected this embargo argument in several cases¹⁰³ for lack of evidence, and it did the same here.

The applicant also pointed to its labeling, which included the word "brand" after OLD HAVANA—indicating that the term was a trademark, not a geographic indicator; the phrase "Cuban style rum"; and the phrase "Product of USA." The Board, however, pointed out that this case concerned the applied-for mark OLD HAVANA by itself, regardless of what might have appeared on the label. In other words, the mark itself had to pass USPTO muster.

The applicant further maintained that its rum had a connection with Havana because its president was born in Cuba and had thirty years of experience in making "Cuban-style" rum. The Board was not impressed. This evidence was insufficient to demonstrate the required "substantial current connection[]"

102. *In re Compania de Licores Internacionales S.A.*, 102 U.S.P.Q.2d 1841 (T.T.A.B. 2012).

103. *See In re Jonathan Drew, Inc.*, 97 U.S.P.Q.2d 1640 (T.T.A.B. 2011); *In re Boyd Gaming Corp.*, 57 U.S.P.Q.2d 1944 (T.T.A.B. 2000); *In re Bacardi & Co. Ltd.*, 48 U.S.P.Q.2d 1031 (T.T.A.B. 1997).

between the applicant's rum and Havana that would permit a finding that the rum originated there.¹⁰⁴

Finally, the materiality element was satisfied by evidence that Cuba, and particularly Havana, was famous for rum. As the Board stated in *In re Jonathan Drew*, direct evidence of materiality is not required.¹⁰⁵ It may be inferred from indirect or circumstantial evidence, such as gazetteer entries and third-party websites. In short, the Board found that consumers would care about whether the applicant's rum came from Havana and therefore that the misrepresentation conveyed by OLD HAVANA was likely to materially impact their purchasing decisions.

6. Acquired Distinctiveness

In re Country Music Association, Inc.

Applicant CMA sought to register COUNTRY MUSIC ASSOCIATION, in standard character and design form, for "association services, namely, promoting country music, and promoting the interests of country music entertainers and the country music recording industry," asserting that COUNTRY MUSIC ASSOCIATION had acquired distinctiveness under Section 2(f). The examining attorney refused registration on alternative grounds: genericness, or mere descriptiveness and lack of secondary meaning. The Board reversed the refusals.¹⁰⁶

By seeking registration via Section 2(f), the applicant conceded that COUNTRY MUSIC ASSOCIATION was merely descriptive. However, CMA's evidence convinced the Board that the mark had acquired distinctiveness. The mark has been in use since 1958 and 30 million viewers watch the applicant's annual awards show. Advertising expenditures, website traffic, and survey results led the Board to find that CMA had satisfied Section 2(f). However, disclaimer of the word ASSOCIATION was required.

In re Compania de Licores Internacionales S.A

This applicant sought to overcome the USPTO's Section 2(e)(3) refusal to register the mark OLD HAVANA for rum, by providing proof of acquired distinctiveness under Section 2(f) and claiming use of the applied-for mark since November 1991.¹⁰⁷ Acquired distinctiveness may overcome a Section 2(e)(3) refusal provided

104. *In re Compania de Licores*, 102 U.S.P.Q.2d at 1850.

105. *In re Jonathan Drew*, 97 U.S.P.Q.2d at 1645.

106. *In re Country Music Ass'n, Inc.*, 100 U.S.P.Q.2d 1824 (T.T.A.B. 2011). The genericness refusal and the survey evidence are discussed in Part I.B.7, *infra*.

107. *In re Compania de Licores*, 102 U.S.P.Q.2d 1841. (A discussion of the Section 2(e)(3) refusal may be found in Part I.B.5, *supra*.)

that the mark became distinctive prior to enactment of the NAFTA Implementation Act on December 8, 1993.¹⁰⁸

Here, the applicant had two years of qualifying use, but the only evidence of record regarding that use was its attorney's unsupported statement. The Board agreed with the examining attorney that Section 2(f) was not satisfied: "Even if unsupported attorney statements were evidence, two years of use, without more, does not show the mark acquired distinctiveness as of December 8, 1993."¹⁰⁹

7. Genericness

In re ING Direct Bancorp

Affirming a refusal to register the designation "Person2Person Payment" (in standard character form) [PAYMENT disclaimed] on the Supplemental Register, the Board found it to be generic for "electronic funds transfer via electronic communications networks; clearing and reconciling financial transactions via electronic communications networks; providing a wide variety of payment and financial services, namely, processing and transmission of bills and payments thereof."¹¹⁰

The Board agreed with the applicant that the genus of the services at issue was "direct electronic fund transfers," which included electronic payment services between individuals. The relevant consumers would be "individual persons wanting to transfer funds electronically—often to other individuals or small businesses."

The examining attorney contended that the phrase "person to person payments" was often used to mean (not surprisingly) payments from one person to another. She pointed to a number of third-party websites where the phrase was used to refer to electronic transfer of funds and payments.

Applicant ING feebly argued that most of those transfers still involved banks and that, technically, the money did not go from "person to person." The Board, however, observed that the evidence "clearly" showed that "person to person payments" was a well-established term of art in the financial payments industry, with "specific meaning identical to the usage that the applicant intends."¹¹¹

108. See *In re Boyd Gaming Corp.*, 57 U.S.P.Q.2d 1944, 1947 (T.T.A.B. 2000).

109. *In re Compania de Licores*, 102 U.S.P.Q.2d at 1852.

110. *In re ING Direct Bancorp*, 100 U.S.P.Q.2d 1681 (T.T.A.B. 2011).

111. *Id.* at 1687.

The evidence also showed that, in the field of e-finance, “person to person” is shortened to “P2P.” The evidence even included use of “person-2-person.”

ING asserted that the evidence did not contain a single use of the exact phrase “Person2Person Payment” and therefore failed to show that the phrase is a commonly used term in the industry. The Board was unimpressed.

Perhaps applicant’s argument is that its “Person2Person Payment” designation is not precisely the same as “Person 2 Person Payment” (having spaces) or “Person-2-Person Payment” (having hyphens). We also do not find this particular argument persuasive. Applicant’s deletion of spaces or hyphens within the designation “Person2Person” cannot transform clearly generic terms such as “Person 2 Person Payment” or “Person-2-Person Payment” into something that is capable of functioning as a source identifier.¹¹²

In short, ING’s slight change did not yield a term that will be understood by relevant purchasers as “anything other than naming a category of direct electronic funds transfers.”¹¹³

In re Country Music Association, Inc.

Finding that the USPTO had failed to meet its burden to prove genericness by clear evidence, the Board reversed a refusal to register the mark COUNTRY MUSIC ASSOCIATION for “association services, namely, promoting country music, and promoting the interests of country music entertainers and the country music recording industry.”¹¹⁴

The Board began by defining the genus of services to be those identified in the involved application. This was confirmed by applicant CMA’s specimen of use, which referred to the applicant as “a professional trade association, [with] membership . . . available to those working in the Country Music industry.” Everyone agreed that the relevant purchasing public consisted of the general public who listen to country music and those who are associated with the country music industry.

The question, then, was whether the designation COUNTRY MUSIC ASSOCIATION was understood by the relevant purchasing public as primarily referring to association services

112. *Id.* at 1690.

113. *Id.*

114. *In re Country Music Ass’n, Inc.*, 100 U.S.P.Q.2d 1824 (T.T.A.B. 2011). The applicant sought registration under Section 2(f). The Board reversed the USPTO’s refusal to accept the applicant’s 2(f) evidence, as discussed in Part I.B.6, *supra*.

that promote country music and the interests of professionals in the country music recording industry.

The examining attorney provided website evidence that 28 other associations use the phrase “County Music Association” preceded by a descriptive, geographical, or other term: e.g., Gay & Lesbian, Christian, Illinois. The Board pooh-poohed this evidence, finding it not clear enough, in part because the phrase appeared in initial caps in these names—which “may be indicative of use as a trade or brand name”¹¹⁵—and because website data showed that these websites were “comparatively obscure”¹¹⁶ and had limited exposure.

CMA submitted two expert reports, but the first, which relied on dictionary definitions to conclude that because the applicant’s mark included the term “association,” it must be a brand name, was deemed to be flawed and its conclusion devoid of foundation. The second consisted of the same expert’s review of various databanks, finding that in the LEXIS database, 99 percent of the usage of the phrase COUNTRY MUSIC ASSOCIATION was in initial caps. He pointed to many U.S. registrations that show, according to the Board, that “trademark owners view the term ASSOCIATION as part of their marks.”¹¹⁷

Perhaps most significantly, CMA submitted the results of a “Teflon” survey,¹¹⁸ in which “[a] significant number of surveyed respondents, 85%, answered that COUNTRY MUSIC ASSOCIATION is a brand name.”¹¹⁹ The survey expert concluded that the term “country music association” was perceived by listeners of country western music as a proprietary or brand name, and not as a generic term.¹²⁰ Rejecting the examining attorney’s rather weak objections, the Board found the survey to be probative.

On balance, the Board found that the USPTO had failed to meet its burden of proof by clear evidence. Moreover, any doubts had to be resolved in the applicant’s favor:

Both the results of Dr. Ford’s survey showing that a significant percentage of respondents who listen to country western music identify applicant’s mark as a brand name and Dr. Barnhart’s survey results showing that virtually all sampled written usages of the phrase COUNTRY MUSIC

115. *Id.* at 1829.

116. *Id.* at 1830.

117. *Id.* at 1831.

118. *See* E.I. du Pont de Nemours & Co. v. Yoshida Int’l, Inc., 393 F. Supp. 502, 185 U.S.P.Q. 597, 615-16 (E.D.N.Y. 1975) for a description of the “Teflon” survey methodology.

119. *In re Country Music Ass’n, Inc.*, 100 U.S.P.Q.2d at 1832.

120. *Id.*

ASSOCIATION refer to applicant are sufficient to raise doubts regarding the genericness of applicant's mark.¹²¹

The Board did, however, find the word "Association" to be generic for the services, and it required a disclaimer of that word.

In re Tennis Industry Association

Reversing another genericness refusal, the Board ruled that the USPTO failed to provide the clear evidence necessary to support its refusal to register TENNIS INDUSTRY ASSOCIATION for "association services, namely, promoting the interests of tennis facilities, tennis manufacturers, tennis retailers and tennis court contractors; providing market research services to track the economic vitality of the tennis industry." The Board was left with "substantial doubt" as to whether the phrase was "perceived by the relevant public as a generic name for the recited services,"¹²² and it resolved that doubt, as it must, in favor of the applicant.

A term is generic if it refers to the class or category of goods or services. The Board first found that the genus of services was adequately defined by the applicant's recitation of services. The relevant purchasing public consists of those whose interests are promoted by the identified services.

The Board deemed TENNIS INDUSTRY ASSOCIATION to be a phrase that should be analyzed under the *American Fertility*¹²³ approach: dictionary definitions of the constituent words are not enough to prove genericness; it must be shown that the relevant public understands the phrase "as a whole" to refer to the genus of services.¹²⁴

The examining attorney submitted five examples from the Lexis/Nexis database and from Internet websites, using the term "tennis industry association" in lower case letters in a manner that did not appear to indicate source in any particular entity. The applicant submitted a "voluminous" number of articles from the Westlaw database discussing the applicant and displaying the subject phrase in initial caps, thusly: Tennis Industry Association.

121. *Id.*

122. *In re Tennis Indus. Ass'n*, 102 U.S.P.Q.2d 1671 (T.T.A.B. 2012). The applicant was seeking registration under Section 2(f), but its evidence failed to clear the net, and so the Board affirmed the USPTO's alternative mere descriptiveness refusal.

123. *In re Am. Fertility Soc'y*, 188 F.3d 1341, 51 U.S.P.Q.2d 1832 (Fed. Cir. 1999).

124. *In re Dial-A-Mattress Operating Corp.*, 57 U.S.P.Q.2d 1807, 1810 (Fed. Cir. 2001) ("[W]here the proposed mark is a phrase . . . the board 'cannot simply cite definitions and generic uses of the constituent terms of a mark'; it must conduct an inquiry into 'the meaning of the disputed phrase as a whole.'" (quoting *In re Am. Fertility Soc'y*, 188 F.3d 1341, 51 U.S.P.Q.2d 1832, 1836 (Fed. Cir. 1999)).

The Board found that, on balance, the USPTO had failed to meet its “difficult burden of establishing by clear evidence”¹²⁵ that TENNIS INDUSTRY ASSOCIATION, as a whole, is generic. Of the five examples submitted by the examining attorney, it was unclear in two that the phrase was being used generically. “A mere three unambiguous examples of generic usage” was “simply . . . insufficient to support the genericness refusal.”¹²⁶

The USPTO’s remaining evidence suggested that TENNIS INDUSTRY had a recognized meaning and that TENNIS INDUSTRY ASSOCIATION was an apt name for an association of tennis industry members, but not that the mark was generic for the recited association services.

8. Failure to Function

In re Lorillard Licensing Co.

Despite thousands of customer declarations and dealer statements submitted by applicant Lorillard, the Board found that Lorillard had failed to establish that the combination of orange text on a green background functioned as a trademark for cigarettes.¹²⁷



Lorillard made no claim to any particular textual matter in any particular location.¹²⁸ The examining attorney maintained that consumers would not view the color combination of orange textual material on a green background, without regard to the text itself, as a source indicator for cigarettes. Lorillard sought registration under Section 2(f).

125. *In re Tennis Indus. Ass’n*, 102 U.S.P.Q.2d at 1680.

126. *Id.* at 1681.

127. *In re Lorillard Licensing Co.*, 99 U.S.P.Q.2d 1312 (T.T.A.B. 2011).

128. In the application drawing, the shape of the package and the text are outlined in dashed line, indicating that they are not claimed as part of the applied-for mark. The specimen was a sleeve used to slip over and bind two packs of cigarettes.

The Board pointed out once again that the kind and amount of evidence necessary to establish acquired distinctiveness varies with the nature of the mark and the circumstances surrounding the use of the mark.¹²⁹ Here, because Lorillard was seeking to register what consumers would reasonably view as merely a color pattern on packaging, it faced a heavy burden of proof.

Lorillard submitted two declarations from the brand director of its exclusive licensee, detailing the sales and advertising numbers for cigarettes sold in connection with this color combination, and the use of the combination in advertising, for some two decades. The Board, however, had problems with this evidence. For example, neither the individual cigarettes nor the cigarette boxes used the color combination, and the advertising and point-of-sale displays did not show “consistent use” of orange text on a green background in such a way as to function as a trademark.

Lorillard proffered more than 6,500 form declarations from customers and more than 4,100 form statements from dealers, purportedly showing that the applied-for mark is recognized as a source indicator. The Board, however, found the customer statements to be of limited probative value: there was no information about the people who signed the forms or how often they bought cigarettes, the conditions under which they signed the statements, or their understanding of what they were signing. And it was not clear whether the customers were all in the same city or represented any geographic diversity.

The dealer statements were longer, but they did not disclose the name or nature of the involved retail establishment, or whether cigarette sales were a significant part of the business. Moreover, the rather vague and general nature of the statement they signed was troublesome: they did not specifically refer to the proposed mark at issue, that is, green-and-orange regardless of text.

The Board observed that the sheer number of statements submitted was not important. It was what the statements said that counted. The Board would find much more probative fewer declarations with more pertinent information: “where the customers are from, that they are current purchasers of cigarettes, and a clear indication that they are aware of what the proposed mark is and that they view it as a trademark.”¹³⁰

The Board concluded that Lorillard failed to demonstrate that the applied-for mark—namely, any orange text appearing on a

129. *In re Chevron Intellectual Prop. Grp., LLC*, 96 U.S.P.Q.2d 2026, 2030 (T.T.A.B. 2010).

130. *In re Lorillard Licensing Co.*, 99 U.S.P.Q.2d at 1320.

green background—had achieved acquired distinctiveness, and it therefore ruled that the applied-for color combination did not function as a trademark.¹³¹

In re HSB Solomon Associates, LLC

The Board affirmed the USPTO's refusal to register the proposed mark CEI for "technical consultation in the field of hydrocarbon and chemical processing, pipeline, and power industries," on the ground that the specimens failed to show use of the mark for the identified services.¹³² The Board agreed with the examining attorney that CEI (an initialism for "carbon emissions index") was used only to identify a process by which the applicant would derive a particular measurement, and not as a source identifier.¹³³

The examining attorney maintained that CEI was not used in the context of providing consultation services. The applicant argued that if it used CEI "in connection with benchmarking that it provides as part of the consulting services, then the mark is being provided [sic] in connection with the services."¹³⁴ The applicant also asserted that its customers were sophisticated and knew that the applicant's only business was to provide technical consultation services.

The Board, however, observed that customer sophistication was "largely inapposite"¹³⁵ to the issue at hand. And as to use of the CEI metric by the applicant in providing its services, the Board was similarly unmoved:

The fact that the CEI process, measurement, metric, benchmark or standard may be used by applicant in the performance of its technical consulting service does not transform that metric into a technical consulting service or associate the term CEI with the technical consulting service such that it serves as a source identifier rather than simply the name of a process.¹³⁶

131. Moreover, because the color combination did not create a commercial impression separate and apart from the wording that appears on the specimen of use, the Board affirmed a second refusal on the ground that the mark of the drawing was an unacceptable mutilation of the mark as used.

132. *In re HSB Solomon Assocs., LLC*, 102 U.S.P.Q.2d 1269 (T.T.A.B. 2012).

133. "A term that only identifies a process, style, method, system, or the like is not registrable as a service mark." Trademark Manual of Examining Procedure (TMPEP) § 1301.02(e) (Oct. 2012).

134. *In re HSB Solomon Assocs., LLC*, 102 U.S.P.Q.2d at 1273.

135. *Id.*

136. *Id.* at 1274.

In re Azteca Systems, Inc.

This applicant unsuccessfully sought to register the mark GIS POWERED BY CITYWORKS, in design form, for “computer software for management of public works and utilities assets.” The USPTO refused registration on the ground that Azteca’s specimen of use did not show the applied-for mark associated with the identified goods.¹³⁷

The examining attorney contended that the textual description of the software clearly referred to the mark CITYWORKS and not to the applied-for mark, which appeared only in the lower left-hand corner of the applicant’s specimen webpage. There was simply no association of the applied-for mark with the description.

Applicant Azteca argued that it was not necessary that the mark be “right next to” the description. It lamely asserted that some of the text included in the mark also appeared in the description of the product, thereby connecting the goods to the mark. Moreover, only one product was described in the webpage.

The question, then, was whether the mark appeared on the website in a manner that would cause the consumer to associate the mark with the goods.

The Board found that the mark failed “to create an association with the goods and . . . to serve as an indicator of source of applicant’s goods as described on the webpage.”¹³⁸ The mark was distant from the description of the software and separated by text of marginal relevance (e.g., the applicant’s philosophy regarding customers). Moreover, a number of different logos appeared on the webpage that did not relate to the software. Links to events and news would further distract the reader from the mark.

In short, just because the webpage contains a description of the software does not mean that the specimen is acceptable. Here, the specimen of use failed to display the mark in a manner that would cause it to be associated with the goods.

9. Goods in Trade

In re Ameritox Ltd.

Applicant Ameritox failed in its attempt to register the mark RX GUARDIAN for “printed reports featuring medical laboratory results provided to medical practitioners for record keeping purposes” because the reports were merely “part and parcel” of the applicant’s laboratory testing services and were not “goods in

137. *In re Azteca Sys., Inc.*, 102 U.S.P.Q.2d 1955 (T.T.A.B. 2012).

138. *Id.* at 1958.

trade” sold separately.¹³⁹ The Board therefore affirmed a refusal to register under Section 1, 2, and 45 of the Lanham Act.

On its website, Ameritox referred to its “Rx Guardian (SM) process.” Based on the website and the specimen of use, the examining attorney maintained that the subject reports were nothing more than a vehicle by which the results of the applicant’s services were reported. The reports were not available as separate “goods in trade.”

The Board noted that ancillary items, such as invoices, forms, and reports, used to conduct business do not constitute goods in trade.¹⁴⁰ It found that the applicant’s website demonstrated that RX GUARDIAN was a drug testing and reporting service. Ameritox did not advertise the reports separate and apart from its services. The reports merely provided information based on the particular test results.

In short, “[t]he fundamental question in this case is what is being offered for sale under the RX GUARDIAN mark?”¹⁴¹ Not reports, concluded the Board.

10. Collateral Estoppel

In re Anderson

Kent G. Anderson sought to register the marks FUTURE and FUTURE MOTORS for hundreds of goods and services falling in Classes 3, 12, 35, and 40. The USPTO refused registration under Section 2(d) as to various goods in Class 12 and certain of the services, in view of the registered mark FUTURA for “tires” and “automotive accessories, namely, vehicle wheel caps and hub caps.”¹⁴² The examining attorney further asserted that collateral estoppel bars registration of the marks for the refused goods and services in view of a prior TTAB proceeding in which the Board sustained oppositions to several other applications of Mr. Anderson.

The Board agreed that collateral estoppel applies to the FUTURE application, but not the FUTURE MOTORS application.¹⁴³

In 2008, the Board sustained oppositions brought by the owner of the FUTURA registration, blocking Anderson’s attempt to register the mark FUTURE for various goods in Classes 12, 35,

139. *In re Ameritox Ltd.*, 101 U.S.P.Q.2d 1081 (T.T.A.B. 2011).

140. *See In re Shareholders Data Corp.*, 181 U.S.P.Q. 722, 723 (C.C.P.A. 1974).

141. *In re Ameritox Ltd.*, 101 U.S.P.Q.2d at 1085.

142. *In re Anderson*, 101 U.S.P.Q.2d 1912 (T.T.A.B. 2012).

143. The Board also affirmed the Section 2(d) refusals of both applications in a straightforward *du Pont* analysis.

and 40, and the mark FUTURE/TOMORROW & Design for goods in Class 12.¹⁴⁴ The Board reviewed various precedents involving collateral estoppel, but the application of collateral estoppel in an *ex parte* context based upon a prior *inter partes* judgment appeared to be a matter of first impression for the TTAB. The Board observed, however, that “it is firmly within our discretion to apply collateral estoppel where it is warranted.”¹⁴⁵

Turning to the elements of collateral estoppel, and first considering the FUTURE mark, the Board concluded that the identical Section 2(d) issue was raised in the prior proceeding (same marks and goods/services), the issue was actually litigated, the determination of likely confusion was necessary to the judgment, and Mr. Anderson had a full and fair opportunity to litigate the issue. Ergo, collateral estoppel applied.

As to the FUTURE MOTORS mark, however, collateral estoppel was inapplicable because the prior proceeding did not concern that particular mark, but instead the marks FUTURE and FUTURE/TOMORROW & Design. Neither of those two marks was substantially identical to FUTURE MOTORS.

PART II. *INTER PARTES* CASES

By John L. Welch

A. United States Court of Appeals for the Federal Circuit

1. Likelihood of Confusion

a. Likelihood of Confusion Found

Bridgestone Americas Tire Operations, LLC v. Federal Corp.

In this precedential ruling, the CAFC reversed a TTAB decision¹⁴⁶ that found the mark MILANZA in stylized form not likely to cause confusion with the registered marks POTENZA and TURANZA, all for tires, the Board concluding that “[t]he dissimilarity of the marks simply outweighs the other relevant factors.”¹⁴⁷ The CAFC ruled that the Board erred in dismissing the opposition in light of the identity of the goods, the long prior use of

144. See *The Pep Boys Manny, Moe & Jack of Calif. v. Anderson*, Opposition Nos. 91157538 et al. (T.T.A.B. Aug. 6, 2008).

145. *In re Anderson*, 101 U.S.P.Q.2d at 1917.

146. *Bridgestone Firestone N. Am. Tire, LLC v. Fed. Corp.*, Opposition No. 91168556 (T.T.A.B. Feb. 24, 2010).

147. *Bridgestone Americas Tire Operations, LLC v. Fed. Corp.*, 102 U.S.P.Q.2d 1061 (Fed. Cir. 2012).

the POTENZA and TURANZA marks, their market strength, and their similarities in sound and connotation with MILANZA.

The Board found that POTENZA and TURANZA were not strong or famous marks because they were accompanied in advertising by the mark BRIDGESTONE or by Bridgestone's "B" logo. However, Bridgestone cited many commercial examples in which the marks POTENZA and TURANZA were prominently featured, and in which Bridgestone was identified as the manufacturer. The CAFC agreed with Bridgestone that the use of the BRIDGESTONE mark concurrently with POTENZA and TURANZA did not diminish the status of those two marks as strong marks for tires.

The prolonged exclusive use of these marks, the extensive promotion and marketing, the billions of dollars of sales, of tires bearing these marks, shows commercial strength. A unique arbitrary word mark does not lose its strength as a trademark when the manufacturer is identified along with the branded product. Each identification may have trade significance.¹⁴⁸

When the rubber hit the road, the CAFC took a very unfavorable view of applicant Federal's choice of mark.¹⁴⁹

There is a heavy burden on the newcomer to avoid consumer confusion as to products and their source. . . .

This court has cautioned that there is "no excuse for even approaching the well-known trademark of a competitor."¹⁵⁰ . . .

This caution applies here; the prior user is entitled to the traditional protections of its marks of trade, as against newcomers choosing a confusingly similar mark for the same goods.¹⁵¹

b. Likelihood of Confusion Not Found

Coach Services, Inc. v. Triumph Learning LLC

In a three-pronged decision, the CAFC affirmed the TTAB's dismissal¹⁵² of opposer Coach's Section 2(d) likelihood of confusion

148. *Id.* at 1064.

149. The recorded oral argument before the CAFC reveals that the appellee, Federal, faced this uncomfortable question posed by Judge Newman: why did your client choose a mark that is pretty close to a mark that's already out there? Federal, a Korean company, answered that it chose the mark because it wanted an association with Milan (although its tires were not made in Milan).

150. *Kenner Parker Toys, Inc. v. Rose Art Indus., Inc.*, 22 U.S.P.Q.2d 1453, 1456 (Fed. Cir. 1992).

151. *Bridgestone Americas*, 102 U.S.P.Q.2d at 1065.

152. *Coach Servs., Inc. v. Triumph Learning LLC*, 96 U.S.P.Q.2d 1600 (T.T.A.B. 2010).

claim, involving applicant Triumph's mark COACH for educational software and publications, and the opposer's registered mark COACH for handbags, luggage, and the like.¹⁵³

Appellant Coach contended that the Board should have given more weight to its determination that the opposer's mark was famous. The CAFC, however, pointed out that fame, while important in the *du Pont* analysis, is not alone sufficient to establish likelihood of confusion. It concluded that "the unrelated nature of the parties' goods and their different channels of trade"¹⁵⁴ weighed heavily against Coach. "Because the *du Pont* factors favoring Triumph outweigh the factors favoring [Coach], the Board was correct in finding no likelihood of confusion."¹⁵⁵

2. Acquired Distinctiveness

Coach Services, Inc. v. Triumph Learning LLC

In the second prong of its decision, the CAFC vacated the Board's dismissal of opposer Coach's claim that the mark COACH was merely descriptive of applicant Triumph's educational software and publications.¹⁵⁶ The Board found that the applicant's mark had achieved acquired distinctiveness under Section 2(f).

Triumph challenged Coach's standing to raise the issue of mere distinctiveness, but Coach triumphed on that issue. Because Coach's trademark registrations were of record, it had standing to oppose under Section 2(d). And even though Coach does not use, nor want to use, the word "coach" in a descriptive fashion, it had standing to raise the mere descriptiveness issue as well. Under CAFC precedent, once standing is raised as to any one issue, the party may rely on any other Section 2 ground to negate the applicant's right to registration.¹⁵⁷

As to acquired distinctiveness, the Board relied on certain documents submitted by Triumph, despite Coach's objection that the documents had not been properly authenticated. The court agreed with Coach that the Board had committed error, and it remanded the case to the Board for further proceedings:

[O]n remand, the Board must address the weight, if any, to be given to pre-July 2003 documents [the date when Triumph's witness began working for Triumph] in the absence of any

153. *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 101 U.S.P.Q.2d 1713 (Fed. Cir. 2012).

154. *Coach*, 668 F.3d at 1371, 101 U.S.P.Q.2d at 1723.

155. *Id.*

156. *Coach*, 668 F.3d at 1380, 101 U.S.P.Q.2d at 1730.

157. *See, e.g., Jewelers Vigilance Comm. Inc. v. Ullenberg Corp.*, 823 F.2d 490, 2 U.S.P.Q.2d 2021 (Fed. Cir. 1987).

testimony authenticating them or addressing their use. The Board must then assess whether these apparent gaps in Triumph's proofs impact the Board's determination that the mark was in continuous use during any relevant period.¹⁵⁸

3. Dilution by Blurring

Coach Services, Inc. v. Triumph Learning LLC

In the third prong of its decision, the CAFC affirmed the Board's dismissal of opposer Coach's claim that applicant Triumph's mark COACH for educational software and publications was likely to dilute by blurring the opposer's registered mark COACH for handbags, luggage, and the like.¹⁵⁹

The CAFC agreed with the Board that Appellant Coach had failed to provide sufficient evidence to meet the higher fame standard for dilution.¹⁶⁰ The only sales and advertising figures of record covered a single year (2008, four years after Triumph's filing date), but the court observed that even had the opposer's 2000–2008 annual reports been admitted into evidence,¹⁶¹ such evidence by itself would still be insufficient. Coach's sixteen incontestable registrations were relevant to the fame inquiry, but, of course, were not conclusive. Coach's evidence of media attention failed, as the Board found, "to show widespread recognition of opposer's mark [by] the general population."¹⁶² Likewise, other evidence offered by Coach missed the mark.

The court emphasized that the burden to show fame in the dilution context is not "insurmountable," but Coach's evidence was "just too weak" to prove fame on this record.¹⁶³

158. *Coach*, 668 F.3d at 1381, 101 U.S.P.Q.2d at 1730. On remand, the TTAB again found that Triumph had established acquired distinctiveness, based on Triumph's other evidence. *Coach Servs., Inc. v. Triumph Learning LLC*, Opposition No. 91170112 (T.T.A.B. June 18, 2012).

159. *Coach*, 668 F.3d at 1376, 101 U.S.P.Q.2d at 1726.

160. "Fame for likelihood of confusion and fame for dilution are distinct concepts, and dilution fame requests a more stringent showing." *Coach*, 668 F.3d at 1373, 101 U.S.P.Q.2d at 1724.

161. Coach submitted its annual reports with its notice of reliance (i.e., without authenticating testimony), but they were excluded from the records because annual reports are not considered to be self-authenticating printed publications available to the general public, nor did they fall within the exception for online publications under *Safer Inc. v. OMS Investments, Inc.*, 94 U.S.P.Q.2d 1031 (T.T.A.B. 2010) because they did not contain the identifying information that would be found on copies obtained from the Internet.

162. *Coach*, 96 U.S.P.Q.2d at 1611.

163. *Coach*, 668 F.3d at 1376, 101 U.S.P.Q.2d at 1727.

4. Discovery Sanctions

Benedict v. Super Bakery, Inc.

The CAFC affirmed the TTAB's imposition of sanctions against Ward E. Benedict for his repeated failure to comply with TTAB discovery orders, concluding that the Board did not abuse its discretion in entering judgment by default.¹⁶⁴

Benedict, appearing *pro se*, was twice ordered by the Board to respond to Super Bakery's discovery requests. One day before his responses were due (for the second time, and twenty months after the discovery requests were served), Benedict filed a motion for summary judgment. Eighteen days later, the Board issued a suspension order pending determination of the motion. Super Bakery then filed a response to the summary judgment motion and a motion for sanctions, asking the Board for judgment under Rule 2.120(g).¹⁶⁵ The Board granted the sanction motion, entered judgment against Benedict, and denied his summary judgment motion as moot. Benedict appealed to the Federal Circuit, arguing that by operation of Rule 2.127(d)¹⁶⁶ the Board proceeding was automatically stayed when he filed his motion for summary judgment, and therefore he was not required to respond to the Board's discovery orders. The CAFC vacated the Board's decision and remanded the case for consideration of the applicability of Rule 2.127(d) to this case.¹⁶⁷

On remand, the Board ruled that Rule 2.127(d) does not provide an automatic stay of a proceeding when a party files a motion for summary judgment.¹⁶⁸ "Rather, only an order of the Board formally suspending proceedings has such effect."¹⁶⁹ As a consequence, the Board again granted Super Bakery's petition for cancellation as a sanction against Benedict for failure to comply with Board discovery orders.

The CAFC ruled, however, that the language of Rule 2.127(d) was too ambiguous to serve as the basis for imposition of the sanction of judgment by default.

164. *Benedict v. Super Bakery, Inc.*, 101 U.S.P.Q.2d 1089 (Fed. Cir. 2011).

165. 37 C.F.R. § 2.1120(g).

166. Trademark Rule 2.127(d), 37 C.F.R. § 2.127(d), states, in pertinent part: "When any party files . . . a motion for summary judgment . . . *the case will be suspended* by the Trademark Trial and Appeal Board with respect to all matters not germane to the motion and no party should file any paper which is not germane to the motion except as otherwise specified in the Board's suspension order." (Emphasis supplied.)

167. *Benedict v. Super Bakery, Inc.*, 367 Fed. Appx. 161 (Fed. Cir. Mar. 3, 2010).

168. *Super Bakery v. Benedict*, 96 U.S.P.Q.2d 1134 (T.T.A.B. 2010).

169. *Id.* at 1136.

We agree with Mr. Benedict that Rule 2.127(d) does not clearly present the interpretation with which the Board now endows it. . . . [T]he Rule does not state that no suspension shall occur until the Board separately acts to impose it, and that any filing deadlines will remain in force despite the Rule's prohibition on filing. The Rule does not state that the requirement that no papers should be filed does not come into effect when the summary judgment motion is filed, despite the Rule's prohibition. This ambiguity does not support the extreme sanction of default judgment.¹⁷⁰

Nonetheless, the CAFC concluded that the entry of judgment by default against Benedict was "well supported without this event."¹⁷¹

There had been two years of failure to comply with discovery requests and orders. The Board discussed Mr. Benedict's repeated non-compliance with Super Bakery's discovery requests, as well as his noncompliance with the Board's orders concerning discovery. Although the Board criticized the "meritless" motion for summary judgment as "an effort to further obstruct petitioner's rights to obtain discovery under the Board's rules, the Board's order compelling discovery, and the Board's order granting discovery sanctions," 96 U.S.P.Q.2d at 1136, the Board's finding that "[t]here is no reason to assume that, given additional opportunities, petitioner will fulfill his obligations as a party to the proceeding," *id.*, is supported by the entire experience of this case.¹⁷²

The question before the CAFC was whether the Board abused its discretion by entering default judgment, and the court said no. "On the entirety of the record, the Board's orders were reasonable, and within its authority in seeking to advance the proceedings. The remedy of default judgment was within the Board's discretion in view of Mr. Benedict's repeated failures to comply with established and reasonable procedural orders."¹⁷³

170. *Benedict v. Super Bakery, Inc.*, 101 U.S.P.Q.2d 1089, 1092 (Fed. Cir. 2011).

171. *Id.*

172. *Id.*

173. *Id.* at 1093.

B. Trademark Trial and Appeal Board

1. Likelihood of Confusion

a. Likelihood of Confusion Found

Nike, Inc. v. Maher

The TTAB sustained Nike's opposition to registration of the mark JUST JESU IT for various items of athletic apparel, finding the mark likely to cause confusion with the famous and registered mark JUST DO IT for overlapping clothing items.¹⁷⁴

The applicants, appearing *pro se*, admitted that the JUST DO IT mark is famous for Section 2(d) purposes. Of course, this *du Pont* factor weighed heavily in Nike's favor: as a famous mark, JUST DO IT is entitled to a wide latitude of protection; and degree of similarity between the marks necessary to support a conclusion of likely confusion declines. Moreover, the required degree of similarity is also lessened because the goods are identical in part.

The Board found the marks to be similar in overall appearance and pronunciation. But as to meaning, not so much:

[O]pposer has shown that its mark has been viewed as a "battle cry." The meaning of applicants' mark is ambiguous, not just as a three-term phrase with a middle term that evokes "Jesus" (but appears not to be itself an English word), but even when that middle term "Jesu" is combined with "it" to form the word "Jesuit." Despite this ambiguity in the meaning of applicants' mark, the overall commercial impression of the parties' marks is similar because given the fame of opposer's mark, the public is likely to view applicants' mark as similarly being a call to action, even though it is unclear what action is being urged.¹⁷⁵

The Board concluded that, despite the potential difference in meaning, given the fame of the opposer's mark and the similarity of appearance, pronunciation, and overall commercial impression, the marks were similar for likelihood of confusion purposes.

The applicants argued that their mark was a humorous parody,¹⁷⁶ but the Board was not amused: "[W]here, as here, a defendant appropriates a trademarked symbol such as a word or picture, not to parody the product or company symbolized by the trademark, but only as a prominent means to promote, satirize or

174. Nike, Inc. v. Maher, 100 U.S.P.Q.2d 1018 (T.T.A.B. 2011). Nike's successful dilution-by-blurring claim is discussed in Part II.B.5, *infra*.

175. *Id.* at 1022.

176. The applicants stated that their intent was to sell "humorous Jesus-themed t-shirts and sweatshirts and other apparel . . ." *Id.* at 1023 n.9.

poke fun at religion or religious themes, this is not ‘parody’ of a trademark.”¹⁷⁷

General Mills, Inc. v. Fage Dairy Processing Industry S.A.

Putting an end to this 11-year-old food fight, the Board sustained the opposition of General Mills (GM) to 14½ of Fage’s 15 applications to register various design marks containing the word TOTAL, for yogurt and several other products.¹⁷⁸ The Board found Fage’s marks likely to cause confusion with GM’s famous mark TOTAL, registered in standard character form for ready-to-eat breakfast cereal.

The Board first considered GM’s claim that its mark was famous. GM proved that its sales of, and advertising expenditures for, TOTAL brand cereal since 1986 had been substantial, its market share impressive, and its household penetration significant. The brand was regularly mentioned in the media, and brand awareness was “consistently very high.”¹⁷⁹ The Board concluded that, for Section 2(d) purposes, TOTAL—even though conceptually a suggestive mark—was a famous mark for ready-to-eat cereal and was entitled to a broad scope of protection.

The Board agreed with Fage that there is no *per se* rule that all breakfast foods are related, but GM established a “close relationship between opposers’ ready-to-eat cereal and applicant’s yogurt given consumers’ long-standing mixing of these types of products and the circumstances surrounding their marketing.”¹⁸⁰ The involved goods were common food items sold in the same stores, and therefore the purchasers and channels of trade overlapped. Moreover, GM was promoting cereal in the dairy aisle. And the overlap of consumers was particularly strong with regard to health-conscious consumers.

The Board considered these inexpensive grocery items to be generally purchased on impulse. Although some of the consumers of the involved goods might be more careful in their purchases, the Board “must base [its] decision on the least sophisticated potential purchasers.”¹⁸¹

177. *Id.* (citing *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 46 U.S.P.Q.2d 1737, 1745-6 (5th Cir. 1998); *Dr. Seuss Enters. L.P. v. Penguin Books U.S.A., Inc.*, 109 F.3d 1394, 42 U.S.P.Q.2d 1184 (9th Cir. 1977)).

178. *General Mills, Inc. v. Fage Dairy Processing Indus. S.A.*, 100 U.S.P.Q.2d 1584 (T.T.A.B. 2011). The Board described the proceeding as “acrimonious” and “torturous.” To the Board’s dismay, the record exceeded 20,000 pages. “In the most plain and concise terms, we emphasize that ‘scorched earth’ litigation tactics and ‘leave no stone unturned’ trial strategy do not improve a party’s odds before the Board.” *Id.* at 1591, 1592.

179. *Id.* at 1595-96.

180. *Id.* at 1597.

181. *Id.* at 1600.

The Board divided Fage's marks into two sets. In the first seven marks the word TOTAL was "clearly the most prominent and memorable component of the mark." Consumers would focus on the word TOTAL as the source-identifying component of each mark. In the second set, the word TOTAL was depicted in smaller font in the middle of the marks, and the word FAGE appeared in larger typeface and was emphasized. However, even if FAGE were perceived as a house mark and the word TOTAL as merely a product mark, "this would not dispel likely confusion as to sponsorship or affiliation."¹⁸²

Although the word TOTAL was suggestive, here GM's mark was famous, and the Board did not find TOTAL to be "so highly suggestive that the use of applicant's house mark FAGE (along with other descriptive and nondistinctive matter) is sufficient to eliminate likely confusion with a famous mark, when used on related goods."¹⁸³

Fage pointed to the lack of proof of actual confusion, but the Board found this factor to be neutral. Of course, such evidence is notoriously difficult to obtain, and furthermore the record evidence did not clearly establish that there was a significant opportunity for confusion to occur, because Fage's marketplace footprint only gradually reached the general consumer market. The Board refused to make an adverse inference on this issue based on GM's failure to conduct a likelihood of confusion survey.

Balancing the relevant *du Pont* factors, the Board ruled that confusion was likely with regard to Fage's marks when used for yogurt.

The Board dismissed the opposition, in part, to Fage's applications that listed yogurt in Class 29 and "sauces, spices and food flavorings, not of essential oils" in Class 30. GM offered no evidence or argument regarding the Class 30 goods, and so that one application was allowed to proceed to registration for that class.

UMG Recordings, Inc. v. Mattel, Inc.

The Board sustained UMG's opposition to the mark MOTOWN METAL for toy vehicles and accessories, finding it likely to cause confusion with the famous mark MOTOWN for musical entertainment and musical recordings.¹⁸⁴

Reviewing the history of Motown records, the Board found that UMG had used the mark MOTOWN since 1959 in connection

182. *Id.* at 1602.

183. *Id.*

184. *UMG Recordings, Inc. v. Mattel, Inc.*, 100 U.S.P.Q.2d 1868 (T.T.A.B. 2011). UMG's dilution-by-blurring claim is discussed in Part II.B.5, *infra*.

with musical recordings and performances. UMG also proved use by licensees since 2003 of a common law word-and-design mark for toys and games, including board games and karaoke. It admitted that “Motown” is a play on “Motor City,” which is commonly understood to refer to Detroit, Michigan.

Mattel’s MOTOWN METAL toy vehicles were first shipped in 2006 as part of its “Hot Wheels” line, and consisted of seven items replicating cars made by Detroit auto makers. Mattel contended that “Motown” was merely a nickname for Detroit and therefore was a “generic geographic description” entitled to only “extremely limited protection.”¹⁸⁵

The parties submitted expert testimony regarding the significance of the word “Motown.” Mattel’s expert opined that “Motown” referred to the record company, but more broadly was a descriptor for a type of musical style or genre not limited to that record company. UMG’s expert asserted that, to the extent there was a “Motown” style of music, this merely emphasized the strength of the MOTOWN mark. Moreover, he contended that if “Motown” were used to refer to Detroit, that reference would be derived directly from Motown records and the Motown sound.

The Board found that the term “Motown” was created by Barry Gordy, UMG’s founder, to refer to a style of music. However, Mattel did not establish that this term was “generally understood to describe a style reflected in the music of non-Motown artists.” The Board noted that, since 2003, the media had used the word “Motown” to refer to Detroit. Dictionaries define “Motown” as the opposer’s record company, the style of music, and the city of Detroit.

The Board found that, when created, the mark MOTOWN was arbitrary and inherently distinctive, and it “only became stronger in view of the established fact that Mr. Gordy and his company forged a new popular music style”—a style that is “strongly and primarily associated with opposer.”¹⁸⁶

Sales and advertising under the MOTOWN mark were “extensive,” and the demonstrated popularity of the MOTOWN label and its artists led the Board to conclude that Motown was very famous in connection with musical recordings and musical entertainment. And although the mark was not famous for the licensed goods, the Board noted that “a famous mark such as Motown can be expected to cast a long shadow and to be used in connection with numerous collateral goods, i.e., consumers would

185. *Id.* at 1871.

186. *Id.* at 1883.

expect certain non-music-related items containing the Motown brand to be sponsored by opposer.”¹⁸⁷

The Board concluded that the adoption of the word “Motown” to refer to Detroit did not diminish the strength of MOTOWN as a mark. The uses of “Motown” in the media were not commercial uses, and a trademark owner did not have “the right to control public discourse whenever the public imbues his mark with a meaning beyond its source-identifying function.”¹⁸⁸ UMG actively policed its mark, and third-party uses of “Motown” in the Detroit area were considered to be insignificant and/or noncompeting. In short, these third-party uses did not lessen the fame or strength of the MOTOWN mark or render it weaker as a result of geographical descriptiveness.

As to the involved goods and services, Mattel’s toys were close enough. The record showed that the opposer had licensed the MOTOWN mark in connection with a wide range of goods and services, and consequently:

It requires no stretch of the imagination for consumers to believe that these varied collateral goods could reasonably include toy cars. Thus, particularly in view of the fame of opposer’s MOTOWN marks in connection with its music and entertainment services, we find that applicant’s “toy vehicles” are sufficiently related to, and reasonably within the scope of, opposer’s MOTOWN-branded collateral goods and are likely items in opposer’s MOTOWN-branded retail store and museum gift shop, that confusion as to source is likely if identified by substantially similar marks.¹⁸⁹

With regard to the marks, the Board pointed out once again that as the strength of a mark increases, the degree of similarity between marks necessary to support a finding of likely confusion decreases. Moreover, in Mattel’s mark, “the princip[al] connotation of MOTOWN will be as a reference to opposer, whether or not it also conjures up the city of Detroit; and this connotation is not diminished or changed by the addition of the highly suggestive, if not merely descriptive, term METAL to the mark.”¹⁹⁰

The Board concluded that the mark MOTOWN METAL was “substantially similar to opposer’s word mark MOTOWN, and significantly more similar than dissimilar to opposer’s other MOTOWN marks.”¹⁹¹

187. *Id.*

188. *Id.* (quoting *Mattel Inc. v. MCA Records Inc.*, 296 F.3d 894, 63 U.S.P.Q.2d 1715, 1718 (9th Cir. 2002)).

189. *Id.* at 1884.

190. *Id.* at 1886.

191. *Id.*

*American Lebanese Syrian Associated Charities, Inc. v.
Child Health Research Institute*

In this less than scintillating yet precedential decision, the Board sustained two Section 2(d) oppositions and dismissed three more, all alleging likelihood of confusion with the mark CURE4KIDS, registered in standard character and design form for “charitable fund raising in the field of children’s healthcare” and “providing medical information.”¹⁹² The applicant sought to register the marks CURE KIDS, CURE KIDS USA, and three design marks containing the words “Cure Kids,” for fundraising services and medical research [with various words disclaimed].

As to the inherent strength of the opposer’s marks, third-party registrations corroborated the “common sense conclusion that the term ‘Cure4Kids’” was highly suggestive, if not descriptive of the services because it described “the purpose of the fund raising and medical research (i.e., to cure children).”¹⁹³ Nonetheless, the registrations were entitled to the Section 7(b)¹⁹⁴ presumptions and could be considered, at most, highly suggestive.

As to the commercial strength of the opposer’s marks, the evidence showed that the marks were generally used in conjunction with the phrase ST. JUDE’S CHILDREN’S RESEARCH HOSPITAL. The record did not show that the CURE4KIDS marks were commercially strong. And so this particular evidence was considered to be neutral.

The Board found the applied-for marks CURE KIDS and CURE KIDS USA to be confusingly similar to the opposer’s CURE4KIDS standard character mark. As to the three logo marks of the applicant, however, they differed from the opposer’s mark because they included other source-identifying words and designs. Keeping in mind that “Cure Kids” and “Cure4Kids” were highly suggestive, the designs and other wording sufficed to distinguish the logo marks.

Top Tobacco, L.P. v. North Atlantic Operating Co.

In this consolidated proceeding, the Board sustained oppositions to registration of the marks CLASSIC AMERICAN

192. *Am. Lebanese Syrian Associated Charities, Inc. v. Child Health Research Inst.*, 101 U.S.P.Q.2d 1022 (T.T.A.B. 2012).

193. *Id.* at 1029.

194. Section 7(b) of the Lanham Act, 15 U.S.C. § 1057(b), provides that “[a] certificate of registration of a mark upon the principal register . . . shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner’s ownership of the mark, and of the owner’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.”

BLEND, in standard character and design form [AMERICAN BLEND disclaimed], for tobacco and tobacco products, on the ground of likelihood of confusion with the registered mark CLASSIC CANADIAN for tobacco [CANADIAN disclaimed].¹⁹⁵ However, the Board dismissed the plaintiff's Section 2(d) petition for cancellation of a registration for the mark ZIG ZAG CLASSIC AMERICAN BLEND for "smoking tobacco" because the marks were too dissimilar.

The Board noted that the parties were competitors in the "roll your own" (RYO) or "make your own" (MYO) tobacco industry. It found the goods of the parties to be either legally identical, because Top's "tobacco" encompassed North Atlantic's identified goods, or to be complementary. The trade channels for these tobacco products presumably overlap, and, in fact, the evidence showed that the trade channels and classes of purchasers were the same.

Defendant North Atlantic contended that, at both the wholesale and retail level, the purchasers of its goods were sophisticated, but the Board was not persuaded. Although wholesale buyers might be more sophisticated in their purchasing decisions, they were not necessarily knowledgeable about trademark issues or immune from source confusion. As to ordinary consumers, the parties' identification of goods encompassed less expensive tobacco that would not necessarily be purchased with heightened care.

Plaintiff Top asserted that CLASSIC CANADIAN was a distinctive and strong mark in view of its use since 1992 and Top's policing efforts. North Atlantic argued that extensive use by third parties of the term CLASSIC for tobacco products, and the registration of marks containing that term, showed that consumers and the USPTO readily distinguish among those marks when viewed in their entirety. North Atlantic also contended that CLASSIC CANADIAN was an inherently weak mark because CLASSIC was highly suggestive and CANADIAN merely described a tobacco style or blend. The Board, however, found North Atlantic's evidence unimpressive: the third-party registrations were not evidence of actual use of the registered marks, and the third-party evidence lacked details as to length of use, degree of exposure, or popularity of the marks.

Nonetheless, the Board found that the record "overwhelmingly establishes that CLASSIC CANADIAN has little intrinsic distinctiveness." Top disclaimed the word CANADIAN, and the word CLASSIC suggested that the goods had "lasting significance or worth," or were "of a well-known type." In fact, Top acknowledged the suggestiveness of CLASSIC in the USPTO

195. Top Tobacco, L.P. v. N. Atl. Operating Co., 101 U.S.P.Q.2d 1163 (T.T.A.B. 2011).

prosecution of its pleaded registration. Although Top's prior statement was not conclusive, it was relevant and added "shade and tone in the total picture confronting the decision maker."¹⁹⁶

Third-party registrations demonstrated that CLASSIC had a suggestive meaning for tobacco products. Moreover, the suggestiveness of the word was accentuated by the term CANADIAN. "In other words, Top's mark" would "be understood as suggesting a 'Canadian' blend of tobacco" that was "of a well-known type" or was "typical' of such blend."¹⁹⁷

As to the commercial strength of the CLASSIC CANADIAN mark, there was insufficient evidence of consumer exposure to establish it as a strong mark. The Board concluded that CLASSIC CANADIAN was an inherently weak mark, and the evidence of commercial strength did "not overcome the mark's intrinsic shortcoming."¹⁹⁸ Nonetheless, even weak marks are entitled to protection against confusingly similar marks for closely related goods. Here, because the goods overlapped in part, a lesser degree of similarity between the marks was needed to support a finding of likely confusion.

Comparing the marks, the Board noted the similarities in appearance and sound between CLASSIC CANADIAN and North Atlantic's CLASSIC AMERICAN BLEND marks and found the marks to be "equally highly suggestive of a style of tobacco."¹⁹⁹ It concluded that North America's three marks were similar to Top's mark.

As to the defendant's ZIG ZAG CLASSIC AMERICAN BLEND mark, however, the word CLASSIC would not likely be perceived by purchasers as source-distinguishing. Instead, consumers would focus on the ZIG ZAG element, and therefore the Board found that the dissimilarities between this mark and CLASSIC CANADIAN outweighed the similarities. Indeed, the Board concluded that this factor was dispositive as to this mark.

Balancing the pertinent *du Pont* factors, and resolving any doubt in favor of the registrant, the Board found confusion likely as to the defendant's AMERICAN CLASSIC BLEND marks, but not as to the ZIG ZAG version.

Lebanon Seaboard Corp. v. R & R Turf Supply, Inc.

In this rather mundane Section 2(d) proceeding, the Board found the mark TURFECTA for "grass seed" likely to cause

196. *Id.* at 1172 (quoting *Interstate Brands Corp. v. Celestial Seasonings, Inc.*, 576 F.2d 926, 198 U.S.P.Q. 151, 154 (C.C.P.A. 1978)).

197. *Id.* at 1173.

198. *Id.*

199. *Id.* at 1174.

confusion with the registered mark TRIFECTA for “lawn seed.”²⁰⁰ Had the parties not chosen to invoke the Board’s Accelerated Case Resolution Procedure (ACR), odds are that this case would not have been deemed precedential.²⁰¹

The Board plodded through the *du Pont* factors, first noting that because the goods were identical, they were presumed to travel in the same channels of trade. Neither party addressed the issue of “consumer care” in the purchasing of the goods, and so that factor was neutral.

The Board found TRIFECTA to be arbitrary for lawn seed. Dictionary definitions showed the primary meaning of the word to be “a variation of the perfecta in which a bettor wins by selecting the first three finishers of a race in the correct order of finish.”²⁰² The opposer’s sales topped \$8 million in the period 2006–2010, and it spent some \$250,000 for advertising over a 14-year period. These advertising expenditures were not overwhelmingly large, and there was no evidence as to how these figures compared with other brands of grass seed, nor any evidence regarding media coverage or brand awareness. And so the Board refused to find the TRIFECTA mark to be famous.

On the other hand, there was no evidence of any use of similar marks on similar goods. The applicant pointed to third-party registrations in an attempt to show that the suffix “FECTA” is commonly used and is therefore a weak formative. The Board pointed out, however, that TRIFECTA is the only mark containing “FECTA” that is registered for grass seed. Consequently, the Board concluded that TRIFECTA, being an arbitrary mark in use for twenty-five years, was a strong mark entitled to a broad scope of protection.

Comparing the marks at issue, the Board observed once again that when the involved goods are identical, a lesser degree of similarity between the marks is necessary to support a finding of likely confusion.²⁰³ The applicant contended that FECTA was a “common laudatory suffix” that imported the word “perfect” into the mark, but the Board disagreed.²⁰⁴

[G]iven the definitions of “trifecta” that applicant has made of record, we cannot conclude that consumers would view the FECTA portion of opposer’s mark TRIFECTA separately from

200. *Lebanon Seaboard Corp. v. R & R Turf Supply, Inc.*, 101 U.S.P.Q.2d 1826 (T.T.A.B. 2012).

201. The ACR portion of the case is discussed in Part II.B.11.f, *infra*.

202. *Lebanon Seaboard*, 101 U.S.P.Q.2d at 1831.

203. *Id.* at 1832 (citing *Century 21 Real Estate Corp. v. Century Life of Am.*, 23 U.S.P.Q.2d 1698, 1700 (Fed. Cir. 1992)).

204. *Id.*

the mark as a whole; rather, they would ascribe to the mark the dictionary meaning of the word. . . . Further, even if consumers were aware that a trifecta is a variation of a perfecta, they would not regard FECTA in opposer's mark as referencing the laudatory term "perfect," but would understand it to refer to a type of bet.²⁰⁵

The marks plainly differed in meaning, but the Board found that difference insufficient to distinguish the marks.

Because of the similarity in structure of TURFECTA to "trifecta," consumers are likely to see TURFECTA as a play on "trifecta," with the descriptive or generic word "turf" replacing the element "tri." This connotation is subtly reinforced by the horse racing meaning of "turf": "a. A racetrack, b. The sport or business of racing horses." As a result, the marks TRIFECTA and TURFECTA convey a similar commercial impression, and TURFECTA may be seen as a variation of opposer's mark TRIFECTA, indicating origin in opposer.²⁰⁶

Next, the Board considered the lack of any actual confusion evidence. It noted that the period of concurrent use of the two marks was limited: only 18 months elapsed between the applicant's first use date and the date it submitted its testimony. Moreover, the applicant's sales and advertising were limited as well, and there was no overlap in actual customers or marketing channels. The Board therefore treated this factor as neutral.

Finally, the applicant maintained that it chose the mark TURFECTA in good faith, with no intention to mimic or copy the opposer's mark. The Board observed, however, that good faith adoption of a mark does not prevent a finding of likely confusion.²⁰⁷

*Research in Motion Ltd. v.
Defining Presence Marketing Group, Inc.*

The Board sustained Research in Motion (RIM)'s opposition to registration of the mark CRACKBERRY for various online computer services and assorted clothing items, finding the mark likely to cause confusion with RIM's famous mark BLACKBERRY

205. *Id.*

206. *Id.* at 1833.

207. *Id.* at 1834, citing *Mag Instrument Inc. v. Brinkmann Corp.*, 96 U.S.P.Q.2d 1701, 1713 (T.T.A.B. 2010) ("evidence on applicant's behalf that it is seeking to register the mark in good faith does very little to obviate a finding of a likelihood of confusion because it is expected that applicants are acting in good faith.").

for handheld devices, including smartphones.²⁰⁸ The likelihood of confusion finding was limited to the applicants' computer services.

The Board first considered the applicant's parody defense, observing that while some courts in infringement cases have indicated that "a successful parody seems to make confusion less likely,"²⁰⁹ the First Amendment claim is "not as strong" at the TTAB, where the issue is right to registration rather than restraint on use, and where the likelihood of confusion "will usually trump any First Amendment concerns."²¹⁰

The Board found that, based on extensive promotion and use, and the role of "this historically significant device in shaping the culture and technology of the early twenty-first century," the mark BLACKBERRY had become "famous and well known" for handheld devices and related information technology services.²¹¹

The involved marks sounded alike and their visual similarities outweighed the differences. As to connotation, the public initially adopted the name "Crackberry" to refer to the seemingly addictive nature of RIM's device. In fact, in 2006, the word "Crackberry" was selected as the "Word of the Year" by Webster's New World Dictionary. Thus even prior to the applicants' adoption of the mark CRACKBERRY, the two terms had already developed similar connotations. The fact that consumers informally refer to Blackberry devices by the "Crackberry" moniker further supported the finding that the marks had similar commercial impressions.

And so the Board concluded that the marks were highly similar, and this "critical" *du Pont* factor weighed in favor of the opposer, RIM, particularly in view of the fame of the BLACKBERRY mark: "[A] potential consumer who is aware of opposer's famous mark is even more likely to be attuned to its similarity to applicants' mark upon encountering the latter."²¹²

The applicants argued that RIM's goods related primarily to handheld devices and related support services, whereas its services concerned online chat rooms and retail store services for wireless device accessories. The Board, however, concluded that the applicants' recited services were "closely related, if not, in some respects, legally identical, to opposer's broadly-stated goods and

208. *Research in Motion Ltd. v. Defining Presence Mktg. Grp., Inc.*, 102 U.S.P.Q.2d 1187 (T.T.A.B. 2012). RIM's successful dilution-by-blurring claim is discussed in Part II.B.5, *infra*.

209. *Id.* at 1191 (citing *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 37 U.S.P.Q.2d 1516, 1519-22 (2d Cir. 1996) (Henson's use of "Spa'am" on merchandise for its "Muppet" movie not likely to cause confusion with Hormel's SPAM mark for luncheon meat)).

210. *Id.* at 1192.

211. *Id.*

212. *Id.* at 1194.

services.”²¹³ In sum, the Board found a close relationship between the opposer’s “registered goods and services” and the applicants’ services. It agreed with RIM that there was a large overlap in channels of trade; in fact, the applicants seemed to target RIM’s customers in its marketing efforts.

As to clothing items, RIM claimed common-law rights in the BLACKBERRY mark for clothing, but it failed to prove when this use of BLACKBERRY commenced. Moreover, the record did not establish that the goods and service identified in RIM’s pleaded registrations were related to clothing.

L’Oreal S.A. v. Marcon

The fame of the marks L’OREAL and L’OREAL PARIS for cosmetics and personal care products was a major factor in the Board’s sustaining the opposer’s Section 2(d) claim in this opposition to registration of L’OREAL PARIS for “aloe vera drinks.”²¹⁴

The Board began by finding the opposer’s marks L’OREAL and L’OREAL PARIS to be famous for cosmetics and personal care products, based on billions of dollars in sales, significant market share, huge advertising expenditures, extensive media exposure, impressive brand awareness, and consistent ranking by *Business Week* as one of the world’s “100 Top Brands.”

Applicant Marcon made the “incredible statement” that the fame factor “strongly supports” his case because the opposer’s fame was primarily associated with cosmetic products.²¹⁵ The Board pointed out that a finding of fame for the senior mark can never support a junior party. Fame expands the scope of protection accorded a mark: “[a] strong mark . . . casts a long shadow which competitors must avoid.”²¹⁶

As to the marks, the applicant’s L’OREAL PARIS mark was obviously identical to one of the opposer’s marks. Moreover, the Board, not surprisingly, found the applied-for mark to be substantially similar to the opposer’s mark L’OREAL because, given the geographically descriptive nature of PARIS, consumers would be more likely to remember the L’OREAL portion of the applicant’s mark.

213. *Id.*

214. *L’Oreal S.A. v. Marcon*, 102 U.S.P.Q.2d 1434 (T.T.A.B. 2012). *L’Oreal’s* successful claim that Marcon lacked a bona fide intention to use the applied-for mark is discussed in Part II.B.4, *infra*.

215. *Id.* at 1438.

216. *Id.* (quoting *Kenner Parker Toys, Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 22 U.S.P.Q.2d 1453, 1456 (Fed. Cir. 1992)).

Turning to the goods, the Board noted once again that when the marks at issue are identical, a lesser degree of relatedness between the goods is necessary to support a finding of likely confusion. At first glance, cosmetics and beverages “might not appear to be inherently related,” but the opposer submitted “substantial evidence to show several reasons for finding such goods to be related.”²¹⁷ Third-party registrations and Internet search results revealed companies that sell both cosmetics and food/beverage products.²¹⁸ The opposer also provided an article discussing the trend of “traditional skin care lines improving looks with dietary supplements.”²¹⁹ The opposer’s vice president testified that L’Oreal was an innovator from whom customers expect new and different products, and that “consumers are aware that aloe or aloe vera is often prominently listed as a beneficial ingredient in moisturizers and other skin care products.”²²⁰ The Board concluded that the parties’ goods were “sufficiently related for purposes of our likelihood of confusion analysis,” and this factor weighed in favor of opposer.²²¹

As to trade channels, cosmetics and beverages move through supermarkets, drug stores, and mass merchandisers. The classes of customers are the same: ordinary consumers. The identified goods are not restricted as to price, and presumably include inexpensive items that may be subject to impulse purchases.

Finally, under the thirteenth *du Pont* factor,²²² the Board considered applicant Marcon’s bad faith. It agreed with the opposer that the applicant “has a history and pattern of filing intent-to-use applications for a disparate range of products for which he has no industry-relevant experience, and where the applied-for marks are identical to some of the best known, previously registered trademarks in the country.”²²³

This pattern convinced the Board that Marcon’s adoption of L’OREAL PARIS was in bad faith. “Such bad faith is strong evidence that confusion is likely, as such an inference is drawn

217. *Id.* at 1439.

218. For example, MOUNTAIN DEW for lip balm and soft drinks.

219. *L’Oreal*, 102 U.S.P.Q.2d at 1440.

220. *Id.*

221. *Id.*

222. The thirteenth *du Pont* factor encompasses “any other established fact probative of the effect of use.” *In re E.I. du Pont de Nemours & Co.*, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1973).

223. *L’Oreal*, 102 U.S.P.Q.2d at 1441. Marcon has sought to register, inter alia, HEINEKEN for meat juices, JACK DANIELS for cigars, CHANEL for greeting cards, SOUTHERN COMFORT for beer, and BAYER for mouthwash.

from the imitator's expectation of confusion."²²⁴ But the Board hastened to add that even without this bad faith finding, it would still find confusion likely.

Edom Laboratories, Inc. v. Lichter

The one-two punch of actual confusion and bad faith knocked out Glenn Lichter's application to register the mark SUPER CHIRO TEA for "herbal teas for medicinal purposes" [TEA disclaimed].²²⁵ The Board found the mark likely to cause confusion with the registered mark CHIRO-KLENZ for "herbal teas for medicinal purposes; nutritional supplements for eliminating toxins from the body."

Applicant Lichter argued that the opposer's mark CHIRO-KLENZ was weak because the product was "sold to chiropractors . . . for the purpose of cleansing."²²⁶ The Board, however, found the mark to be, at worst, suggestive. A list of third-party registrations submitted by Lichter was nonprobative, and two third-party website pages were inadmissible.

The goods were, in part, identical, and to that extent they were presumed to travel to the same, normal classes of consumers through the same, normal channels of trade. The Board deemed CHIRO to be the dominant portion of the applicant's mark, because SUPER was laudatory and TEA was generic. With regard to the registrant's mark, the first part of the mark was "most likely to be impressed upon the mind of a purchaser and remembered."²²⁷ Despite the obvious differences in the marks, the Board found that their similarities outweighed their differences. "[C]onsumers may believe that SUPER CHIRO TEA and CHIRO-KLENZ are different varieties of the CHIRO line of tea."²²⁸

Applicant Lichter failed to prove that purchasers of the products were sophisticated; indeed, the low price of the goods suggested that purchases were "made by ordinary consumers" who exercised "no more than ordinary care in making their purchasing decisions."²²⁹

The Board gave some probative value to ten or fifteen telephone calls received by the opposer, in which the callers either asked for SUPER CHIRO TEA or inquired as to the opposer's

224. *Id.* at 1442 (citing *L.C. Licensing Inc. v. Berman*, 86 U.S.P.Q.2d 1883, 1891 (T.T.A.B. 2008)).

225. *Edom Labs., Inc. v. Lichter*, 102 U.S.P.Q.2d 1546 (T.T.A.B. 2012).

226. *Id.* at 1549.

227. *Id.* at 1551 (quoting *Presto Prods., Inc. v. Nice-Pak Prods., Inc.*, 9 U.S.P.Q.2d 1895, 1897 (T.T.A.B. 1988)).

228. *Id.* at 1551-52.

229. *Id.* at 1552.

relationship to SUPER CHIRO TEA. This evidence was not inadmissible hearsay because it was not offered for the truth of what the caller said, but only as to the fact that the statements were made by the callers. However, the evidence was of only “minimal probative value”²³⁰ because there was no testimony from the callers themselves as to whether and why they were confused. Additional testimony (by way of declaration) by two persons who were confused was more probative: in searching for CHIRO-KLENZ tea, each thought that SUPER CHIRO TEA was made by the opposer.

Finally, invoking the thirteenth *du Pont* factor,²³¹ the Board considered Lichter’s bad faith in adopting the mark SUPER CHIRO TEA. It agreed with the opposer that Lichter took “affirmative steps to cause confusion and to associate SUPER CHIRO TEA with CHIRO-KLENZ tea.”²³² For example, Lichter included the tag line “FROM THE ORIGINAL MAKERS OF CHIRO-KLENZ” on his packaging. Lichter also owned the domain name www.chiroklenzforless.com, which redirected to his website. And he used testimonials for CHIRO-KLENZ to promote his own product. In short, the “overwhelming” evidence showed that applicant Lichter had a bad faith intent to cause, and profit from, consumer confusion.

b. Likelihood of Confusion Not Found

Vital Pharmaceuticals, Inc. v. Kronholm

Dismissing this Section 2(d) opposition, the Board found the applied-for mark REDLINE for cosmetics not likely to cause confusion with the identical mark, registered for nutritional supplements, for isotonic and sports drinks, and for related retail store services.²³³ Although applicant Kronholm admitted that cosmetics are generally sold in the same mass market stores and pharmacies where nutritional supplements are sold, that was not enough to prove the products to be related.²³⁴ There was no evidence that the involved goods would be sold in the same department or be situated near each other; nor that the goods

230. *Id.*

231. See note 222, *supra*.

232. *Edom Labs.*, 102 U.S.P.Q.2d at 1553.

233. *Vital Pharms., Inc. v. Kronholm*, 99 U.S.P.Q.2d 1708 (T.T.A.B. 2011). Compare the *L’Oreal v. Marcon* decision in Part II.B.1.a, *supra*, in which the Board sustained a Section 2(d) claim involving identical marks for cosmetics and aloe vera drinks.

234. See *Interstate Brands Corp. v. Celestial Seasonings, Inc.*, 198 U.S.P.Q. 151, 153 (C.C.P.A. 1978); *Federated Foods, Inc. v. Fort Howard Paper Co.*, 192 U.S.P.Q. 24, 29 (C.C.P.A. 1976); *Safeway Stores, Inc. v. Bel Canto Fancy Foods Ltd.*, 5 U.S.P.Q.2d 1980, 1982-83 (T.T.A.B. 1987).

would be complementary or would otherwise be purchased together. Moreover, there was no evidence that the same companies would make nutritional supplements and cosmetics or that they would sell such products under a single mark.²³⁵

Calypso Technology, Inc. v. Calypso Capital Management, LP

The Board dismissed this combined opposition and cancellation proceeding, finding the defendant's six marks, all containing the word CALYPSO with the remaining words disclaimed (for equity investment management and fund services), not likely to cause confusion with the registered mark CALYPSO (for "computer software for use by financial institutions for core processing and control").²³⁶ The Board concluded that the differences in the goods/services and the sophistication of the customers strongly outweighed the other relevant *du Pont* factors, including the similarity of the marks and the strength of the plaintiff's mark.

The defendant sought to register the marks CALYPSO CAPITAL MANAGEMENT, CALYPSO QUALIFIED PARTNERS, and CALYPSO MASTER FUND. Its registered marks were CALYPSO OVERSEAS, CALYPSO PARTNERS, and CALYPSO ADVISORS. With all the other words disclaimed, the Board found the word CALYPSO to be the portion having source-identifying significance in the defendant's marks. Therefore the Board found these six marks to be similar to the plaintiff's mark.

As to the respective goods and services, the fact that they are all in the "financial field" did not mean that they were necessarily related for 2(d) purposes. The plaintiff pointed to third-party registrations that included financial services and software, but none were based on use in commerce. There was simply no evidence that the involved goods and services were "ever offered by a single company."²³⁷ In short, the plaintiff failed to show that consumers of these goods and services would believe that they emanated from the same source.

There was evidence that the same institutions that purchase computer software similar to that of the plaintiff would also purchase investment services offered by the defendant. But there was no evidence that the purchasing decisions would be made by

235. For a discussion of opposer Vital's unsuccessful attempt to reopen its testimony period so that it could submit evidence, see Part II.B.12.d, *infra*. Vital's evidence was limited to its pleaded registrations and certain admissions made by the applicant in his answer.

236. *Calypso Tech., Inc. v. Calypso Capital Mgmt., LP*, 100 U.S.P.Q.2d 1213 (T.T.A.B. 2011).

237. *Id.* at 1221.

the same people. The only overlap in customers for the involved goods and services was to be found in financial institutions. “We are not dealing here with an individual with a few dollars to invest.”²³⁸ The entities using the defendant’s services would be “investing large sums of money,” and would be “extremely careful and sophisticated purchasers.”²³⁹ Similarly, because of the cost and the purpose of the plaintiff’s software, the purchasers would also be careful and sophisticated.

These sophisticated consumers would not be likely to assume that these disparate goods and services emanated from the same source merely because they were offered under marks comprising or containing the word CALYPSO. The purchasers “would be aware of the practices of the industry,” and would “recognize that such goods and services” did “not emanate from a single source.”²⁴⁰

2. Primarily Geographically Deceptively Misdescriptive

Corporacion Habanos, S.A. v. Guantanamera Cigars Co.

In February 2008, the Board sustained this opposition to registration of the mark GUANTANAMERA for cigars, finding the mark to be primarily geographically deceptively misdescriptive under Section 2(e)(3).²⁴¹ In August 2010, the U.S. District Court for the District of Columbia reversed the TTAB’s decision, ruling that the Board had “erred as a matter of law in applying the materiality requirement” of Section 2(e)(3) of the Lanham Act.²⁴² On remand, the Board sustained the opposition again, finding that “a significant portion of consumers of cigars would be materially influenced by the geographic meaning of applicant’s mark.”²⁴³

The district court found that the primary significance of GUANTANAMERA (meaning “girl from Guantanamo”) was geographic, that the consuming public was likely to believe that the applicant’s cigars originated from Cuba, and that cigar tobacco was produced in the Guantanamo province. However, the court ruled that the Board had failed to address the third element of the

238. *Id.* at 1222.

239. *Id.*

240. *Id.*

241. *Corporacion Habanos, S.A. v. Guantanamera Cigars Co.*, 86 U.S.P.Q.2d 1473 (T.T.A.B. 2008).

242. *Guantanamera Cigars Co. v. Corporation Habanos, S.A.*, 98 U.S.P.Q.2d 1078 (D.D.C. 2010).

243. *Corporacion Habanos, S.A. v. Guantanamera Cigars Co.*, 102 U.S.P.Q.2d 1085 (T.T.A.B. 2012).

*California Innovations*²⁴⁴ test: the materiality of the geographic representation inherent in the mark.²⁴⁵

The court concluded that our decision did not address whether a significant portion of relevant consumers would be materially influenced in their purchasing decisions; and “[t]o establish a *prima facie* case, the TTAB or the opposition must show that ‘a significant portion of the relevant consumers would be materially influenced in the decision to purchase the product or service by the geographic meaning of the mark.’”²⁴⁶

Accordingly, the Board reopened the proceeding so that the parties could address those issues.

The applicant’s expert witness opined that “Guantanamera” primarily connoted a famous song of Cuban origin, that those who did relate the word to Guantanamo, Cuba, did not perceive a connection with cigars, and that even if they did, this would not be a material factor in the purchasing decision. However, the expert did not conduct any studies or focus groups but relied only on his “educated perception,” and he did not reveal any methodology by which he reached his conclusions. In short, there was “nothing in the report or his testimony to demonstrate that the report . . . [was] reliable,”²⁴⁷ and so it was deemed inadmissible.

The question remained whether “a significant portion of the relevant consumers would be materially influenced in the decision to purchase the cigars by the geographic meaning of the mark.”²⁴⁸ In *In re Spirits International N.V.*, the CAFC reversed the TTAB because, in finding that MOSKOVSKAYA was primarily geographically deceptively misdescriptive of vodka, the Board failed to consider whether Russian speakers, who would be deceived into believing that the vodka came from Moscow, constituted a “substantial portion of the intended audience.”²⁴⁹ The CAFC there noted that:

only 0.25% of the U.S. population speaks Russian. . . . If only one quarter of one percent of the relevant consumers was deceived, this would not be, by any measure, a substantial portion. However, it may be that Russian speakers are a greater percentage of the vodka-consuming public; that some

244. *In re California Innovations*, 329 F.3d 1334, 66 U.S.P.Q.2d 1853 (Fed. Cir. 2003).

245. The district court relied on the CAFC’s decision in *In re Spirits Int’l N.V.*, 563 F.3d 1347, 90 U.S.P.Q.2d 1489 (Fed. Cir. 2009), which was decided after the Board’s original ruling in this case.

246. *Corporacion Habanos*, 102 U.S.P.Q.2d at 1090 (quoting the district court decision, which, in turn, quoted *In re Spirits*, 90 U.S.P.Q.2d at 1495).

247. *Id.* at 1096.

248. *In re Spirits*, 90 U.S.P.Q.2d at 1495.

249. *Id.*

number of non-Russian speakers would understand the mark to suggest that the vodka came from Moscow; and that these groups would together be a substantial portion of the intended audience.²⁵⁰

Spanish speakers constitute more than 12 percent of the United States population. Tens of millions more have received Spanish language instruction in school. The Board concluded that “(i) persons who speak Spanish at home, and (ii) persons who do not speak Spanish at home but who know Spanish, are a substantial portion of the U.S. population.”²⁵¹ Moreover, the applicant’s advertising was aimed at Spanish-speaking consumers and at the general adult population. The Board therefore found that “persons who speak or know Spanish” were “a substantial portion of the intended audience (or purchasers) of applicant’s goods.”²⁵²

The question, then, was whether these consumers would be materially influenced in the decision to purchase the applicant’s cigars by the geographic meaning of the mark. The applicant contended that direct evidence of materiality was required, but the Board ruled otherwise. Reviewing the case law, noting the difficulty in obtaining direct evidence from purchasers, and observing that the TTAB does not require survey evidence in any proceeding (given the limited nature of its jurisdiction), the Board ruled that indirect evidence of materiality is acceptable in an *inter partes* proceeding.²⁵³

The applicant maintained that, even if the Board were permitted to draw an inference of materiality, here there was no evidence that Guantanamo was “famous or otherwise known” in this country for cigar production. Instead, according to the applicant, Guantanamo was “famous for a US Naval Detention center and as it relates to the song titled *Guantanamera*.”²⁵⁴ The latter argument, however, conflicted with the District Court’s finding that “Cuba, or Guantanamo, Cuba is the primary significance of GUANTANAMERA,” and that the consuming public would be likely to believe that the cigars came from Cuba. It also ignored the requirement that the mark be considered in the context of the goods.

250. *Id.* at 1496.

251. *Corporacion Habanos*, 102 U.S.P.Q.2d at 1097.

252. *Id.* at 1098.

253. *Id.* at 1099. In *In re Jonathan Drew, Inc.*, 97 U.S.P.Q.2d 1640 (T.T.A.B. 2001), the Board ruled, in an *ex parte* context, that direct evidence of materiality is not required to support a Section 2(e)(3) refusal.

254. *Id.* at 1100.

Moreover, the law does not require that the place identified in the mark be “noted for” the goods in order for the Section 2(e)(3) bar to apply. It is enough that the consumer would expect the goods to come from that geographical location.²⁵⁵

And so, as to the question of whether the misdescription would be a material factor in the purchasing decision, the Board answered in the affirmative.

From the advertisements, webpages, testimony, magazines and cigar publications and encyclopedias, we find that opposer has established that sellers of cigars in the United States market non-Cuban cigars through branding and marketing associations with Cuba because they believe that consumers value associations with Cuba in making purchasing decisions.²⁵⁶

The Board concluded that the *Spirits* test had been met, and it therefore sustained the opposition.²⁵⁷

3. Non-use

ShutEmDown Sports, Inc. v. Lacy

The Board shut down *pro se* respondent Carl Dean Lacy in this cancellation proceeding involving his registration for the mark SHUT IT DOWN for 113 clothing items.²⁵⁸ The petitioner alleged abandonment and fraud, asserting that at the time of filing his application Lacy had yet to use the mark on any of the goods, and that any subsequent use of the mark had been abandoned. The Board granted the petition on the ground of abandonment, sidestepped the fraud issue, and ruled that the registration was void *ab initio* for non-use, a ground that was not pleaded.

Lacy filed his use-based application on March 15, 2006. During discovery, he stated that he had offered for sale only 4 of the 113 items listed in his registration, and that as of August 4, 2009, no one had purchased goods from him for the previous five years.

Discovery further revealed that Lacy had no bank account, no tax returns, no sales documents, no advertisements or promotional

255. *Id.* (citing *In re Jack’s Hi-Grade Foods, Inc.*, 226 U.S.P.Q. 1028 (T.T.A.B. 1985)) (concerning the mark NEAPOLITAN for sausage not made in Naples, Italy).

256. *Id.* at 1103.

257. In a highly unusual ruling, the Board amended this decision, on motion of the opposer’s counsel, to remove certain “erroneous” statements regarding the opposer’s submission of evidence, as well as the Board’s reprimand of counsel based thereon. *Corporacion Habanos, S.A. v. Guantanamo Cigars Co.*, Opposition No. 91152248 (T.T.A.B. June 12, 2012).

258. *ShutEmDown Sports, Inc. v. Lacy*, 102 U.S.P.Q.2d 1036 (T.T.A.B. 2012).

materials for the goods, and no documents relating to first use of his mark. He claimed annual promotional expenditures of about \$200 and annual sales of less than \$1000.

Lacy admitted that he did not use the mark in connection with 109 of the 113 identified goods, and that he had no intention to do so. As to the remaining four items that Lacy claimed to have sold, the lack of sales for a five-year period, coupled with the lack of documentation regarding same, established a prima facie case of abandonment.²⁵⁹ The burden shifted to Lacy to rebut the presumption of abandonment. “Respondent did not provide a shred of evidence to corroborate his alleged use of the mark in commerce” on these four items.²⁶⁰ His self-serving interrogatory response stating that he used, or intends to use, the mark on these four items was deemed insufficient to rebut the presumption of abandonment.

The Board found it unnecessary to reach petitioner’s fraud claim because it found that petitioner had made a prima facie case that Lacy did not use his mark on *any* of the goods at the time he filed his application, and Lacy failed to overcome that showing. The Board therefore ruled that Lacy’s application was void *ab initio* for non-use. It acknowledged that petitioner did not include a separate claim alleging that Lacy’s non-use of the mark rendered the registration void, but it pointed out that, while such separate pleading is preferable, it is not required. Here there was no doubt that the issue of non-use was clearly set out in the petition for cancellation and was tried by the parties.

4. Lack of Bona Fide Intent

Spirits International, B.V. v.

S.S. Taris Zeytin Ve Zeytinyagi Tarim Satis Kooperatifleri Birliđi

Opposer Spirits established a prima facie case of lack of bona fide intent through the applicant’s discovery responses.²⁶¹ The burden then shifted to the applicant to come forward with evidence to rebut the opposer’s case. Applicant S.S. Taris did not submit any evidence (nor did it file a brief), and the Board therefore sustained the opposition on the ground of lack of bona fide intent, entering judgment immediately on that claim.

S.S. Taris sought to register the mark MOSKONISI in stylized form for various alcoholic and nonalcoholic beverages in Classes 32

259. Section 45 of the Lanham Act provides that “[n]onuse for 3 consecutive years shall be prima facie evidence of abandonment.”

260. *ShutEmDown Sports*, 102 U.S.P.Q.2d at 1043.

261. *Spirits Int’l, B.V. v. S.S. Taris Zeytin Ve Zeytinyagi Tarim Satis Kooperatifleri Birliđi*, 99 U.S.P.Q.2d 1545 (T.T.A.B. 2011).

and 33. Spirits opposed on the basis of its ownership of a Section 2(b) intent-to-use application for the mark MOSKOVSKAYA for vodka, claiming likelihood of confusion only with regard to the applicant's alcoholic beverages. Even though Spirits based the opposition on its own intent-to-use application, and even though its application had not been refused registration in light of the applicant's application, the Board found that Spirits had standing to oppose in light of the arguable similarities between the marks and the arguable relatedness of the goods.²⁶²

In its discovery responses, applicant S.S. Taris stated that it had no documents regarding intended use, no promotional or marketing materials, and no marketing plans. Nor had it obtained any necessary permits or approvals to import or sell alcoholic beverages. Spirits therefore met its initial burden to show by a preponderance of the evidence that the applicant lacked a bona fide intent to use the mark on the identified goods.²⁶³ The burden then shifted to S.S. Taris to come forward with evidence that would explain or outweigh its failure to provide documentary support for its alleged intent, but it provided nothing. The Board therefore sustained the opposition on the ground of lack of bona fide intent, declining to consider Spirits' likelihood of confusion claim.²⁶⁴

Interestingly, the Board sustained the opposition against all of the goods in both Classes 32 and 33, despite the fact that Spirits' claims were limited to the applicant's alcoholic products (all of the Class 33 products and some of those in Class 32). S.S. Taris made no attempt to divide out or delete the nonalcoholic products from Class 32, and so, the Board reasoned, a judgment in favor of Spirits on either the Section 2(d) ground or the lack-of-bona-fide-intent ground applied to each entire class of goods.²⁶⁵ This approach appears to be in direct conflict with the Board's decision in *Wet Seal, Inc. v. FD Management, Inc.*,²⁶⁶ where the Board

262. See *Toufigh v. Persona Parfum Inc.*, 95 U.S.P.Q.2d 1872, 1874 (T.T.A.B. 2010). (Evidence that a party's mark has been refused registration over the applicant's mark is not required to establish standing. It is sufficient that the party have a reasonable belief that there is a likelihood of confusion between the marks or that the presence of the other party's mark on the register may hinder use or registration of the first party's mark.)

263. See *Boston Red Sox Baseball Club LP v. Sherman*, 88 U.S.P.Q.2d 1581, 1587 (T.T.A.B. 2008); *Commodore Elecs. Ltd. v. CBM Kabushiki Kaisha*, 26 U.S.P.Q.2d 1503, 1507 (T.T.A.B. 1993).

264. The Board noted that any judgment on the Section 2(d) claim would have been contingent on perfection of Spirits' priority claim, that is, by issuance of a registration on its pleaded application. See *Companie Gervais Danone v. Precision Formulations LLC*, 89 U.S.P.Q.2d 1251 (T.T.A.B. 2009); *Laramie Corp. v. Talk To Me Programs Inc.*, 36 U.S.P.Q.2d 1840 (T.T.A.B. 1995).

265. *Spirits Int'l*, 99 U.S.P.Q.2d at 1547 n.3.

266. *Wet Seal, Inc. v. FD Mgmt., Inc. v. FD Mgmt., Inc.*, 82 U.S.P.Q.2d 1629 (T.T.A.B. 2007).

stated that an application “will not be deemed void for lack of bona fide intention to use absent proof of fraud, or proof of a lack of bona fide intention to use the mark on *all* of the goods identified in the application, *not just some of them.*”²⁶⁷ In *Wet Seal*, however, the opposer failed to prove a lack of bona fide intent on the part of the applicant, and so the Board’s statement regarding the ramifications of a lack of bona fide intent may be considered mere *dictum*.

Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.

Opposer Rolex claimed that applicant AFP did not have a bona fide intent to use its ROLL-X mark at the time it filed its application to register.²⁶⁸ Rolex established a prima facie case by showing that the applicant had no documentation (e.g., labels or advertising materials) to support its claim of a bona fide intent.²⁶⁹

However, applicant AFP submitted sufficient evidence to overcome Rolex’s prima facie case: as a promoter and advertiser of other imaging products, AFP owned the registered mark DENT-X for film processors and X-ray machines and advertised that mark for its human dental X-ray business. Thus the filing of the ROLL-X application was consistent with an extension of AFP’s product line. In addition, AFP had the capacity to manufacture and market the goods identified in the challenged application.

The Board concluded that AFP filed its application in good faith, not merely to reserve a right in the ROLL-X mark.

L’Oreal S.A. v. Marcon

Opposer L’Oreal successfully claimed that applicant Robert Victor Marcon lacked a bona fide intent to use his applied-for mark L’OREAL PARIS for “aloe vera drinks.”²⁷⁰ Marcon’s pattern of filing ITU applications for disparate goods under the well-known or famous marks of others was one basis for the Board’s sustaining the claim.

Marcon had no documents evidencing a bona fide intent to use the applied-for mark for aloe vera drinks. He admitted having no industry experience, no business plan, no potential partners or

267. *Id.* at 1633. (Emphasis added.)

268. *Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.*, 101 U.S.P.Q.2d 1188 (T.T.A.B. 2011). Rolex’s dilution-by-blurring claim is discussed in Part II.B.5, *infra*. As discussed in note 305, *infra*, the Board vacated this decision on January 29, 2013.

269. *See Boston Red Sox Baseball Club LP v. Sherman*, 88 U.S.P.Q.2d 1581, 1587 (T.T.A.B. 2008); *Commodore Elecs. Ltd. v. CBM Kabushiki Kaisha Corp.*, 26 U.S.P.Q.2d 1503, 1507 (T.T.A.B. 1993).

270. *L’Oreal S.A. v. Marcon*, 102 U.S.P.Q.2d 1434 (T.T.A.B. 2012). The Board also sustained L’Oreal’s likelihood of confusion claim, discussed in Part II.B.1.a, *supra*.

investors, no logos or packaging, and no concrete activities toward using the mark. His vague assertions regarding licensing and outsourcing were “woefully deficient” to establish a bona fide intent.²⁷¹ The Board therefore concluded that Marcon lacked the requisite bona fide intent when he filed his Section 1(b) application.

Marcon’s “demonstrated pattern” of filing applications (sixteen in all) for the famous or well-known marks of others²⁷² was another basis for finding lack of bona fide intent. The legislative history of the Trademark Law Revision Act of 1988 provides several examples of objective circumstances that “may cast doubt on the bona fide nature of the intent or even disprove it entirely.”²⁷³ One of these circumstances is the filing of an excessive number of intent-to-use applications to register marks that were ultimately not used.

Of course, Marcon’s self-serving statements that he acted in good faith and did not lack a bona fide intent established nothing. Evidence establishing a bona fide intent, or a lack thereof, must be objective. Here the complete lack of documentation or other objective evidence of Marcon taking active steps toward use “outweigh[ed] any subjective (or even sworn) intent to use the mark.”²⁷⁴ And Marcon’s “blatant attempt to obtain registrations of third parties’ well-known marks, and subsequent abandonment of those applications” provided “significant, additional support” for the Board’s conclusion.²⁷⁵

5. Dilution by Blurring

Nike, Inc. v. Maher

Sustaining opposer Nike’s Section 43(c)²⁷⁶ dilution-by-blurring claim, the Board found the mark JUST JESU IT for various items of athletic apparel likely to dilute the famous and registered mark JUST DO IT for overlapping clothing items.²⁷⁷ Significantly, the Board jettisoned its former “substantial similarity” or “near identity” test for dilution, instead holding that the marks need only be “sufficiently similar in their overall commercial

271. *Id.* at 1443.

272. *See* note 223, *supra*.

273. *L’Oreal*, 102 U.S.P.Q.2d at 1444 (quoting S. Rep. No. 100-515, 100th Cong. 2d Sess. at 23-24 (1988)).

274. *Id.*

275. *Id.*

276. 15 U.S.C. § 1143(c).

277. *Nike, Inc. v. Maher*, 100 U.S.P.Q.2d 1018 (T.T.A.B. 2011). Nike’s Section 2(d) claim is discussed in Part II.B.1.a, *supra*.

impressions” that the requisite “association” exists for a finding of blurring.²⁷⁸

The Board first looked to the three elements of a claim for dilution by blurring: “(1) whether the opposer’s mark is famous; (2) whether the opposer’s mark became famous prior to the date of the application to register the applicant’s mark; and (3) whether the applicant’s mark is likely to blur the distinctiveness of the opposer’s famous mark.”²⁷⁹

As to fame, the Board found that the applicants had admitted in their discovery responses that JUST DO IT was famous.²⁸⁰ In any event, Nike proved its mark to be famous for dilution purposes. Pervasive third-party references and media discussion about JUST DO IT reflected the extreme popularity of the mark. The evidence showed that JUST DO IT had “made its way into the popular culture at all levels.”²⁸¹ Several independent studies identified this slogan as among the most well-known in the country. Nike spent more than \$6 billion in advertising the JUST DO IT mark during its twenty-year lifespan. Well-known sports figures like Michael Jordan, Bo Jackson, and LeBron James had been featured in its advertising. The mark appeared on 900 million shoeboxes in the years 2005–2010 and Nike had sold more than 27 million units of products that bore the mark JUST DO IT or included the mark or “JDI” in the style name of the product. Nike owned three registrations for the mark, each of which was issued without resort to Section 2(f) and each of which was incontestable.

Moreover, Nike established that its mark, which had been used continuously since 1989, became famous well before the applicants’ earliest available priority date.

As to likely blurring, the Board looked to the six nonexhaustive factors set forth in Section 43(c)(2)(B) of the Lanham Act.²⁸²

278. *Id.* at 1030.

279. *Id.* at 1023 (quoting *Nat’l Pork Bd. v. Supreme Lobster and Seafood Co.*, 96 U.S.P.Q.2d 1479, 1494-95 (T.T.A.B. 2010)).

280. The applicants answered one interrogatory with this question: “Who isn’t aware of opposer’s Mark? At least in the free world.” Asked for documents concerning when they first learned of Nike’s mark, they responded: “No such documents. Applicants don’t live under a rock.” *Id.* at 1024.

281. *Nike*, 100 U.S.P.Q.2d at 1024.

282. Section 43(c)(2)(B) provides: “[D]ilution by blurring’ is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. 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

As to exclusivity, Nike vigorously enforced its rights in the mark and denied all requests for permission to use the mark, even in connection with religious activities. The applicant proffered four third-party registrations for “JUST . . . IT” marks for clothing [JUST JEW IT, JUST BREW IT, JUST BE IT, and JUST GRAB IT] but the Board pooh-poohed them because there was no evidence that the marks were actually in use, or if so, to what extent. Moreover, the existence of those registrations did not persuade the Board that “the phrase ‘just . . . it’ would be considered a commonly registered element such that a mark following this pattern but with a different middle term would thereby be rendered, as a whole, distinguishable from opposer’s famous mark.”²⁸³

Nike’s mark was registered on the Principal Register without a 2(f) claim, and no other uses of the phrase by third parties were proven. The Board found that Nike’s long and continued promotion and use of the mark created an “extremely well-recognized mark.”²⁸⁴ Nike established that its mark was “so distinctive that the public would associate the term with the owner of the famous mark even when it encounters the term apart from the owner’s goods or services.”²⁸⁵

Turning to the degree of similarity between the marks, prior to the Trademark Dilution Revision Act of 2006 (TDRA), the TTAB generally held that the diluting mark and the diluted mark had to be “identical or very or substantially similar.” However, the TDRA made substantial changes to the law of dilution, creating a list of factors to determine blurring. Congress did not include the terms “substantial” similarity, “identity,” or “near identity,” but referred only to the “similarity” between the marks. The Ninth Circuit’s recent decision in *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*²⁸⁶ followed that reasoning, and concluded that the similarity between the two marks at issue need not be “substantial” in order for the dilution-by-blurring claim to succeed.

The Board then turned to its own consideration of the two marks involved here:

While we are not concerned in this context with whether a likelihood of confusion exists, we still consider the marks, not

mark or trade name intended to create an association with the famous mark; and (vi) Any actual association between the mark or trade name and the famous mark.”

283. *Nike*, 100 U.S.P.Q.2d at 1028.

284. *Id.*

285. *Id.* (quoting *NASDAQ Stock Mkt. Inc. v. Antartica S.r.l.*, 69 U.S.P.Q.2d 1718, 1737 (T.T.A.B. 2003)).

286. *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 97 U.S.P.Q.2d 1947, 1958 (9th Cir. 2011).

on the basis of a side-by-side comparison, but rather in terms of whether the marks are sufficiently similar in their overall commercial impressions that the required association exists. Also, in determining the similarity or dissimilarity of the marks, “we will use the same test as for determining the similarity or dissimilarity of the marks in the likelihood of confusion analysis, that is, the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.”²⁸⁷

The Board concluded that the marks were sufficiently similar here to “trigger consumers to conjure up” Nike’s famous mark.²⁸⁸ “Upon encountering applicants’ mark,” consumers would be “immediately reminded of opposer’s JUST DO IT mark and associate the applicant’s mark with opposer’s mark.”

There was no proof of an “actual association” between the parties’ marks, because the applicants had yet to use their mark. Nor was there direct evidence that applicants “intended to create an association with opposer’s famous mark.”

In addition, under the “all relevant factors”²⁸⁹ umbrella, the Board noted that although the applicants had a “very small company,” an exception in the applicants’ case would impair the ability of the JUST DO IT mark to uniquely point to Nike as a single source. This “small company” defense does “not assist applicants.”²⁹⁰

Finally, the applicants’ parody defense failed, because they were not making any joke as to Nike’s mark,²⁹¹ but were merely trying to take a “free ride” on their mark’s association with Nike’s famous mark, for financial gain. According to the Board, this was “not protectable parody.”²⁹²

Balancing the relevant factors, the Board concluded that “an association exists between the parties’ marks that would impair the distinctiveness of opposer’s famous mark.” Therefore the Board sustained Nike’s Section 43(c) claim.

287. *Nike*, 100 U.S.P.Q.2d at 1030 (quoting *Coach Servs., Inc. v. Triumph Learning LLC*, 96 U.S.P.Q.2d 1600, 1613 (T.T.A.B. 2010)).

288. *Id.*

289. Section 43(c)(2)(A) states that a court “may consider all relevant factors” in determining whether a mark possesses the requisite degree of recognition to qualify for dilution protection.

290. *Nike*, 100 U.S.P.Q.2d at 1031.

291. *Cf. Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC*, 507 F.3d 252, 84 U.S.P.Q.2d 1969, 1973 (4th Cir. 2007) (*CHEWY VUITON* for a dog chew toy held to be a noninfringing parody of the famous *LOUIS VUITTON* mark).

292. *Nike*, 100 U.S.P.Q.2d at 1031.

UMG Recordings, Inc. v. Mattel, Inc.

The Board sustained UMG's opposition to the mark MOTOWN METAL for toy vehicles and accessories, finding it likely to cause dilution by blurring of the famous mark MOTOWN for musical entertainment and musical recordings.²⁹³

Although UMG did not provide survey or other evidence measuring the public's "actual recognition" of the opposer's MOTOWN marks, the Board found the evidence of public exposure so strong "that we infer from this significant actual recognition among the general public as well."²⁹⁴ Moreover, the fame of the MOTOWN mark was not limited to a geographic region, segment of an industry or service, or particular channel of trade.

The Board then turned to the six nonexhaustive factors of Section 43(c)(2)(B).²⁹⁵ It found the marks to be sufficiently similar that the MOTOWN METAL mark would "trigger consumers to conjure up" the opposer's famous mark.²⁹⁶ Furthermore, it found that MOTOWN was inherently distinctive, had been in substantially exclusive use, and enjoyed substantial recognition.

There was no evidence that Mattel intended to create an association with the opposer's mark, and no evidence of any actual association.

Balancing these factors, the Board concluded that the MOTOWN METAL mark was likely to dilute the opposer's mark.

Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.

The Board dismissed opposer Rolex's dilution-by-blurring claim, concluding that Rolex had failed to prove that the applied-for mark ROLL-X for "x-ray tables for medical and dental use" would, despite an "actual association" between the marks, impair the distinctiveness of the opposer's famous ROLEX mark.²⁹⁷

The Board had little difficulty finding the ROLEX mark to be famous for dilution purposes, based on nearly one hundred years of use; a lack of any third-party use or registration of similar marks; and unsolicited, "intense" media coverage. Moreover, the mark was a coined and fanciful term, the ROLEX mark had generated

293. *UMG Recordings, Inc. v. Mattel, Inc.*, 100 U.S.P.Q.2d 1868 (T.T.A.B. 2011). The Board also sustained UMG's Section 2(d) claim. See Part II.B.1.a., *supra*.

294. *Id.* at 1887.

295. See note 282, *supra*.

296. *UMG Recordings*, 100 U.S.P.Q.2d at 1888 (citing *Nat'l Pork Bd. v. Supreme Lobster and Seafood Co.*, 96 U.S.P.Q.2d 1479, 1497 (T.T.A.B. 2010)).

297. *Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.*, 101 U.S.P.Q.2d 1188 (T.T.A.B. 2011). The Board also dismissed Rolex's claim based on AFP's alleged lack of a bona fide intent, discussed in Part II.B.4, *supra*. As discussed in note 305, *infra*, the Board vacated this decision on January 29, 2013.

hundreds of millions of dollars in annual sales, and tens of millions of dollars had been spent in annual advertising in a variety of media.

Most of the opposer's evidence pre-dated the 2008 filing date of the applicant's intent-to-use application, leading the Board to conclude that the fame of the ROLEX mark was well established prior to the applicant's constructive use date.

Dilution by blurring arises when a substantial percentage of consumers, upon seeing the junior party's mark, are immediately reminded of the famous mark and associate the junior party's use with the owner of the famous mark—even if they do not believe that the goods come from that owner.²⁹⁸ If such an association is established, the Board must determine whether such association is likely to impair the distinctiveness of the famous mark.²⁹⁹

The Board considered the six factors set forth in Section 43(c)(2)(B).³⁰⁰ As to the first factor, the similarity of the marks, the Board noted that *Nike v. Maher*³⁰¹ embraced a new test based simply on a comparison of the marks as to appearance, sound, connotation, and commercial impression: that is, whether the marks are sufficiently similar to cause a consumer to conjure up the famous mark when confronted with the junior mark.³⁰² Here, the Board found that the differences between the marks in appearance, meaning, and commercial impression “greatly outweigh[ed] any similarity in pronunciation.”³⁰³ More specifically, the applicant's mark was likely to be viewed as comprising the word “roll,” as in moving on rollers, and “X,” as in “X-ray.” Thus, this factor favored the applicant.

The second factor, the distinctiveness of the famous mark, favored Rolex. The third factor, the extent to which the owner was engaging in substantially exclusive use of the famous mark, also favored Rolex, as did the fourth factor, the degree of recognition of the famous mark.

The fifth factor, whether the junior party intended to create an association with the famous mark, favored the applicant. In fact, the only evidence on the issue indicated that the applicant chose the mark ROLL-X based on the product's attributes.

298. *Id.* at 1193-94 (citing *Nat'l Pork Bd. v. Supreme Lobster and Seafood Co.*, 96 U.S.P.Q.2d 1479, 1497 (T.T.A.B. 2010)).

299. *Id.* at 1195 (citing *Nike, Inc. v. Maher*, 100 U.S.P.Q.2d 1018, 1023 (T.T.A.B. 1023), discussed in this Part).

300. See note 282, *supra*.

301. *Nike*, 100 U.S.P.Q.2d at 1023.

302. *Rolex Watch*, 101 U.S.P.Q.2d at 1195-96 (citing *National Pork Bd.*, 96 U.S.P.Q.2d at 1497).

303. *Id.* at 1195.

As to the sixth factor, whether there is an actual association between the junior mark and the famous mark, Rolex relied on a survey targeted on “animal professionals” responsible for purchasing X-ray tables. When asked if something came to mind when first shown the ROLL-X table, 82 percent said yes, and 42 percent of those respondents said it was “Rolex/Watch.” The Board, however, found this level of association to be insufficient to prove a likelihood of dilution:

This figure is not persuasive given that a higher percentage, 50% of respondents who replied that something came to mind, thought of a feature of the goods (portable, rolling) or the actual goods themselves (x-ray tables/equipment). Moreover, the survey results, while showing an “actual association” between opposer’s and applicant’s marks, do not establish that such an association would impair the distinctiveness of opposer’s famous mark.³⁰⁴

The Board concluded that the dissimilarity between the marks, the conflicting results of the survey, and the lack of evidence of the applicant’s intent to create an association, outweighed the recognition, distinctiveness, and substantially exclusive use of the ROLEX mark. Moreover, Rolex did not provide any evidence of the degree to which its marketing power would potentially be diminished by the applicant’s intended use of its mark. Therefore the Board dismissed Rolex’s dilution-by-blurring claim.³⁰⁵

*Research in Motion Ltd. v.
Defining Presence Marketing Group, Inc.*

Sustaining Research in Motion’s opposition to registration of the mark CRACKBERRY for various online computer services and assorted clothing items, the Board found the applicants’ mark likely to cause dilute by blurring of RIM’s famous mark BLACKBERRY for handheld devices, including smartphones.³⁰⁶ The applicants asserted the defense of parody under the “fair use” exclusion of Section 43(c),³⁰⁷ but the Board ruled that the

304. *Id.* at 1196.

305. After Rolex appealed this decision to the CAFC, the applicant unilaterally withdrew the opposed application. The CAFC then dismissed the appeal as moot. On remand, the TTAB vacated its decision under United States Bancorp Mortgage Co. v. Bonner Mall Partnership, 513 U.S. 18 (1994), and entered judgment against the applicant.

306. *Research in Motion Ltd. v. Defining Presence Mktg. Grp., Inc.*, 102 U.S.P.Q.2d 1187 (T.T.A.B. 2012). RIM’s partly successful Section 2(d) claim is discussed in Part II.B.1.a, *supra*.

307. Section 43(c)(3) provides that “fair use” of a famous mark by another person, “other than as a designation of source for the person’s own goods or services,” including “identifying and parodying, criticizing, or commenting upon the famous mark owner or the

applicants' use of the CRACKBERRY mark did not merit fair use protection.

The Board found BLACKBERRY to be among the most famous and valuable trademarks in the world, and concluded that BLACKBERRY had become a "household name" that qualified for protection under Section 43(c). Prior to the filing date of the opposed applications, "BLACKBERRY-branded goods had kicked-off a technology revolution in the United States" and the mark BLACKBERRY had become famous.³⁰⁸

The question, then, was whether CRACKBERRY was likely to blur the distinctiveness of the BLACKBERRY mark. The Board reviewed the nonexclusive factors set forth in Section 43(c)(2)(B) of the Lanham Act³⁰⁹ and answered that question in the affirmative.

The Board found a high degree of similarity between the marks. The applicants did not contest that point and conceded that BLACKBERRY was an inherently distinctive mark. Moreover, the record showed that RIM was the exclusive user of the mark BLACKBERRY.

As to the degree of recognition of the mark, the evidence established that BLACKBERRY had become "one of the most prominent marks in our digital, wireless culture" and one of the most famous and valuable trademarks in the world.³¹⁰

The record supported the conclusion that the applicants deliberately set out to create an association with the BLACKBERRY mark. The purpose of the applicants' online services was to provide a forum for BLACKBERRY users. The applicants' representative confirmed that the applicants chose their mark because of its strong association with BLACKBERRY. Indeed, the applicants' claim of parody stood "as an admission that applicants intended to create an association with BLACKBERRY."³¹¹

The evidence also supported the conclusion that there was a strong association between the two terms, from a date well prior to the applicants' adoption of the CRACKBERRY mark.

The Board concluded that all six of the statutory factors supported RIM's position and that RIM was "likely to suffer impairment of the distinctiveness of its marks."³¹² Hence, the Board found a likelihood of blurring with respect to all of the applicants' goods and services.

goods or services of the famous mark owner," is not actionable as dilution by blurring or dilution by tarnishment.

308. *Research in Motion*, 102 U.S.P.Q.2d at 1197.

309. *See* note 282, *supra*.

310. *Research in Motion*, 102 U.S.P.Q.2d at 1198.

311. *Id.* at 1199.

312. *Id.*

The applicants conceded much of RIM's dilution argument, while zealously advancing its parody defense. Parody is explicitly included as a defense to a claim of dilution under the statutory "fair use" exception in Section 43(c)(3)(A).³¹³ However, under the terms of that section ("other than as a designation of source"), the applicants' use of CRACKBERRY as a mark appears to be excluded from the fair use safe harbor.

Nevertheless, the applicants' pointed to the Fourth Circuit's *Louis Vuitton* decision³¹⁴ in arguing that the opposer should have an "increased burden" to demonstrate impairment of the distinctiveness of its mark when a parody is involved. The Board agreed with RIM that "the safe harbor provision does not extend the fair use defense to parodies used as a trademark."³¹⁵ Instead, as in the *Louis Vuitton* case, the Board assessed the alleged parody as part of the total circumstances in determining whether the claim of dilution by blurring had been proven.

The Board found that, in this case, parody did not insulate the applicants from the dilution claim. Two factors were critical: first, the public adopted and popularized "Crackberry" as a nickname for BLACKBERRY devices, and so the term "Crackberry" did not solely, "if at all," reflect the applicants' attempt at parody; second, the closeness of the applicants' services to the goods and services of RIM further undercut the applicants' parody defense.³¹⁶

And so the Board found that use of the applicants' mark would blur the distinctiveness of RIM's mark, "rather than create a non-source-indicating fair use parody that should be protectable either under the safe harbor provisions of Section 43(c)(3)(A) or of the First Amendment."³¹⁷

6. Functionality

Doyle v. Al Johnson's Swedish Restaurant & Butik, Inc.

In one of the more bizarre TTAB cases in years, the Board granted the respondent's motion to dismiss a petition for cancellation of two registrations for the mark shown below (comprising goats on a grass roof) for restaurant services and retail store services.³¹⁸ Doyle's alleged ground for cancellation was

313. See note 307, *supra*.

314. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 84 U.S.P.Q.2d 1969 (4th Cir. 2007).

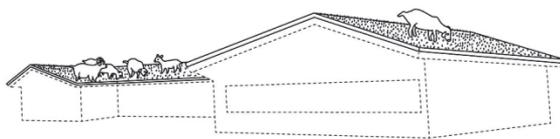
315. *Research in Motion*, 102 U.S.P.Q.2d at 1200.

316. Compare the vast difference between the LOUIS VUITTON handbag and the "Chewy Vuitton" dog toy.

317. *Research in Motion*, 102 U.S.P.Q.2d at 1200.

318. *Doyle v. Al Johnson's Swedish Rest. & Butik, Inc.*, 101 U.S.P.Q.2d 1780 (T.T.A.B. 2012). The issue of Doyle's standing to bring his claim is discussed in Part II.B.11.a, *infra*.

functionality, but he failed to relate this claim to respondent's services. In other words, he failed to allege that goats on sod roofs were essential to the use or purpose of restaurant or retail store services.



Doyle asserted that goats and sod roofs affected the respondent's costs by reducing the respondent's energy and mowing expenses, but that allegation was completely unrelated to the respondent's recited services. Sod roofs and goats might decrease the costs for any business, but functionality must be assessed in connection with the specific services at issue.

Doyle also alleged that the mark was functional because it was a "form of entertainment" that attracted customers. However, although goats on the roof might attract customers to the respondent's restaurant, there was no allegation that this method was superior to any other method for attracting customers. Moreover, the Board observed, there was "no prohibition against a trade dress mark both functioning to indicate source and being aesthetically pleasing."³¹⁹

The Board concluded that Doyle's allegations, even if true, could not establish the functionality of the registered mark, and so it granted the respondent's motion to dismiss for failure to state a claim, under Rule 12(b)(6) of the Federal Rules of Civil Procedure.

The Board allowed Doyle twenty days to file an amended petition sufficiently alleging standing and a proper claim of functionality. However, it cautioned Doyle to be aware of the "extreme difficulties he would likely face in ultimately proving that respondent's mark is functional."³²⁰

7. Defective Section 44 Basis

Kallamni v. Khan

Respondent Asad A. Khan, a Pakistani domiciliary and national, obtained a United States Trademark Registration for the mark OZO ENERGY DRINK & Design for soft drinks, under

319. *Id.* at 1783 (quoting *In re Hudson News Co.*, 39 U.S.P.Q.2d 1915, 1923 (T.T.A.B. 1996)).

320. *Id.* at 1784. The Board pointed Doyle to the *Morton-Norwich* factors (*In re Morton-Norwich Prods., Inc.*, 213 U.S.P.Q. 9 (C.C.P.A. 1982)). See note 49, *supra*.

Section 44(e) of the Lanham Act,³²¹ based on a Community Trademark Registration (CTM). Khan claimed that the CTM registration emanated from his “country of origin,” but the Board concluded that Khan did not have a “bona fide and effective industrial or commercial establishment in the EU.”³²² It therefore ruled that the CTM registration could not serve as a basis for registration under Section 44(e), and it cancelled Khan’s registration on petitioner’s motion for summary judgment.

Section 44(e) provides that a mark duly registered in a foreign applicant’s “country of origin” may be registered in the USPTO. An applicant’s “country of origin” is defined in Section 44(c)³²³ as “the country in which he has a bona fide and effective industrial or commercial establishment, or if he has not such an establishment the country in which he is domiciled, or if he has not a domicile in any of the countries described in subsection (b) of this section, the country of which he is a national.” Under subsection (b) of Section 44,³²⁴ the applicant’s country of origin must be a party to a treaty or agreement with the United States that provides for registration based on ownership of a foreign registration, or must extend reciprocal registration rights to nationals of the United States.³²⁵

Although Pakistan is a treaty nation of the Paris Convention, Khan did not base his United States application on a Pakistani registration. Instead he relied on his CTM registration. Of course, the European Union is a member of the Paris Convention. Consequently, “the question is whether any country in the European Union qualifies as a ‘country of origin’ of respondent.”³²⁶ There was no genuine dispute that Khan was neither domiciled in nor a national of an EU country. But did Khan have a “bona fide and effective industrial or commercial establishment” in an EU country on the date of the U.S. registration?

The Board concluded that Khan’s evidence fell short of meeting that requirement. He did not have a permanent place of business with employees, nor production facilities, in the EU. Instead he conducted business through an independent entity in the EU “with which [he] had a contractual relationship for product sourcing, business development, and marketing.”³²⁷ Khan admitted that this entity was “neither a Licensee, nor a Subsidiary, nor a Parent company, nor a holding company, nor a special instrument

321. See 15 U.S.C. § 1126(e)

322. *Kallamni v. Khan*, 101 U.S.P.Q.2d 1864 (T.T.A.B. 2012).

323. 15 U.S.C. § 1126(c).

324. *Id.* § 1126(b).

325. See generally, TMEP § 1002 (Oct. 2012).

326. *Kallamni*, 101 U.S.P.Q.2d at 1867 n.6.

327. *Id.* at 1868.

company created for royalty or tax advantages.”³²⁸ In sum, it was an independent entity, separate from respondent.

We find as a matter of law that a bona fide and effective industrial or commercial establishment cannot be created by respondent’s reliance on the commercial facilities of an independent legal entity which respondent retained to source his European Union business.³²⁹

The Board also found that Khan’s shipment of products from Pakistan to distributors in Romania and Bulgaria did not create the requisite bona fide and effective commercial establishment in the EU. Nor did Khan’s activities in Pakistan, targeting EU countries, support that claim.

And so Khan did not have an issued foreign registration on which he could rely under Section 44(e) at the time his U.S. registration issued. The Board therefore granted petitioner Kallamni’s motion for summary judgment, cancelling the registration.

8. Concurrent Use

Holmes Oil Co. v. Myers Cruizers of Mena, Inc.

This concurrent use proceeding grew out of a prior opposition between the parties involving Holmes’ mark CRUIZERS in logo form, for “retail store services featuring convenience store items and gasoline.”³³⁰ Myers claimed likelihood of confusion with its registered mark MYERS CRUIZERS DRIVE-IN for “restaurant services.” The parties filed a consent motion to terminate that proceeding in favor of this concurrent use proceeding, and then requested entry of an amendment to Holmes’s application to restrict its services to the geographical area that comprises the United States except for Arkansas.

Myers promptly filed a motion to implement the parties’ settlement agreement, which provided that Holmes would obtain a registration that excluded Arkansas, while the registration owned by Myers would remain unrestricted.

The Board noted that in the usual concurrent use proceeding, each party seeks a different geographical area for its mark. By way of contrast, if a consent agreement is involved, rather than a concurrent use agreement, generally there is no geographical restriction on either mark. This case is only “nominally” a concurrent use proceeding because the agreement provides for use

328. *Id.*

329. *Id.*

330. *Holmes Oil Co. v. Myers Cruizers of Mena, Inc.*, 101 U.S.P.Q.2d 1148 (T.T.A.B. 2011).

of the involved marks in overlapping territories.³³¹ However, according to Trademark Rule 2.99(h),³³² the TTAB may consider concurrent use rights “only in the context of a concurrent use registration proceeding.”

The question for the Board was whether the parties could co-exist under the agreement without there being a likelihood of confusion. A consent agreement is entitled to great weight on that issue if it “includes information as to why the parties believe confusion is unlikely, . . . evidences the parties’ business-driven belief and conclusion that there is no likelihood of confusion, and . . . includes provisions to avoid any potential confusion.”³³³

The parties’ agreement was confidential, but the Board noted that it was intended to resolve trademark claims, it included provisions to address actual confusion that might arise, and it indicated the nature of each party’s use and included restrictions on use. The agreement could, however, have been improved if it had included more details regarding the steps to be taken in the case of actual confusion and an explanation of why the parties thought that confusion was not likely.

The Board concluded that this agreement between parties knowledgeable as to the relevant trade and market practices was “adequate evidence” that confusion was “unlikely” and supported “Holmes’ right to register the mark in question.”³³⁴ It therefore approved the proposed geographical restriction to Holmes’ application.

9. Certification Mark Validity

Swiss Watch International, Inc. v. Federation of the Swiss Watch Industry

The Board dismissed a petition for cancellation of registrations for SWISS and SWISS MADE as certification marks for watches, clocks, and their component parts and fittings.³³⁵ The petitioner raised five grounds for cancellation: that the respondent permitted its marks to be used for purposes other than certification (Section 14(5)(C) of the Lanham Act),³³⁶ that the respondent did not control

331. *Id.* at 1149.

332. 37 C.F.R. § 2.99(h).

333. *Holmes Oil*, 101 U.S.P.Q.2d at 1150.

334. *Id.*

335. *Swiss Watch Int’l, Inc. v. Fed’n of the Swiss Watch Indus.*, 101 U.S.P.Q.2d 1731 (T.T.A.B. 2012). Each registration states that “The certification mark, as used by persons authorized by the certifier, certifies geographical origin of the goods in Switzerland.”

336. Section 14(5), 15 U.S.C. § 1064(5), provides that a petition to cancel a registration of a mark may be brought: “At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the

use of its marks (Section 14(5)(A)); that the respondent discriminated in refusing to certify (Section 14(5)(D)); that the marks were generic for the goods; and that the respondent committed fraud on the USPTO in securing the registrations.

Section 14(5)(C): The petitioner claimed that the respondent had permitted use of its marks for purposes other than certification, in violation of this Section, because it allowed its members and licensees to use trademarks that included the word SWISS: e.g., WENGER SWISS MILITARY, SWISS ARMY, and DAVOSA SWISS. The Board, however, pointed out that, although a certification mark cannot be used as a trademark, this prohibition applies only when the mark is “identical or substantially or virtually identical” to the certification mark.³³⁷ Here, the third-party marks contained additional wording and/or design elements that “clearly ma[de] these marks different from SWISS and from SWISS MADE.”³³⁸

Section 14(5)(A): A certification mark registration may be cancelled if the registrant does not control, or is not able to exercise control over, the use of the mark. The petitioner claimed that there was widespread, unauthorized use of SWISS by third parties. The respondent’s witness testified as to its significant worldwide activities in ensuring adherence to its standards, which included monitoring trademark filings, filing oppositions, overseeing media usage, buying or requesting sample watches, and inspecting watches seized by customs authorities.

The petitioner asserted that the respondent should be exercising greater control over its marks. The Board ruled, however, that absolute control was neither possible nor required. The question was whether the respondent’s efforts have been reasonable. The Board found that the respondent’s control had been adequate. Although there was evidence of misuse of SWISS, the instances were not so extensive as to require cancellation of the registrations.

Section 14(5)(D): The petitioner’s claim of discrimination was based not on a claim that the respondent refused to certify goods, but that its standards were wrong and unnecessary. The Board pointed out that the statutory provision “is not dependent upon

use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies”

337. *In re 88Open Consortium Ltd.*, 28 U.S.P.Q.2d 1314 (T.T.A.B. 1993) (88OPEN COMPATIBILITY CERTIFIED & Design could be registered as a certification mark despite the applicant’s ownership of a trademark registration for 88OPEN).

338. *Swiss Watch*, 101 U.S.P.Q.2d at 1738.

whether the Board or a third party likes the standards, or sees the need for them.”³³⁹ The statute requires only that the registrant allow any entity that meets the standards (whatever they are) to use the mark.

In sum, the petitioner did not submit any evidence that the registrant refused to permit use of its marks for watches that meet its standards: namely, that the watch movement was made in Switzerland, the watch was cased up in Switzerland, and the final inspection took place in Switzerland.

Genericness: The petitioner asserted that the subject marks were generic because they would “primarily signify to the American purchaser the type of watch regardless of regional origin.”³⁴⁰ It pointed to media usage of “Swiss watch” and “Swiss precision” to convey certain qualities associated with accurate watches. The Board, however, found that these uses merely showed the renown of Swiss watches, not that they referred to a type of watch.

The Board recognized that the record evidence included instances of use of the marks that did not conform to the respondent’s standards. This small number of uses, however, was insufficient to show that the marks referred “to any watch that works with precision, as opposed to indicating their geographic origin.”³⁴¹

The opposer also asserted that certification marks that indicate a geographic origin must concern “products tied to the land.” The Board was unaware of any case law that supported that proposition. Here, the manufacture of watches was closely associated with Switzerland, and therefore consumers would understand that the subject marks signified the geographic origin of the goods. They would not regard the marks as generic terms.

Fraud: Finally, the petitioner claimed that the registrant committed fraud when it submitted its standards to the USPTO in response to an Office action. However, the Board did not find any false statements, nor did it find any evidence of an intent to deceive the USPTO.

10. Title of a Single Creative Work

Mattel, Inc. v. The Brainy Baby Company, LLC

The TTAB granted petitioner Mattel’s motion for summary judgment in this cancellation proceeding involving the registered mark LAUGH & LEARN & Design, on the ground that the mark

339. *Id.* at 1741.

340. *Id.* at 1742.

341. *Id.* at 1743.

was merely the title of a single creative work and therefore unregistrable as a trademark.³⁴² The respondent sold both a VHS tape and a DVD under that title, but the Board found that they featured essentially the same content, the additional content on the DVD being insufficient to support the respondent's contention that the VHS and DVD versions constituted a series of works.

The title of a single creative work is not considered a trademark and is therefore not registrable on the Principal Register. "The policy for this is clear. Because a trademark can endure for as long as the trademark is used, at the point that copyright protection ends and others have the right to use the underlying work, they must also have the right to call it by its name."³⁴³ The title is merely descriptive of the single work and does not function as a trademark.³⁴⁴ However, if a term is used to identify the source of a series of works, then the term is registrable, even though it may be included in the title of each work in the series.³⁴⁵

Here, in the challenged registration, the goods were identified as a "series of prerecorded videotapes, audio cassettes, digital video discs, and compact discs featuring live and animated educational materials intended to develop and improve the creative and intellectual faculties of infants and children." The issue before the Board was whether respondent was using the mark for a series at the time it filed its application.

The respondent had sold, at the time of filing, a VHS tape and a DVD using LAUGH & LEARN as the title of each. The VHS tape and the DVD contained the same "featured program" consisting of forty-five minutes of elementary learning concepts for toddlers. The DVD, however, included some additional features: a "Scene Selection" menu and an "Extras" menu providing information on the making of the respondent's videos, outtakes, previews of other works, and a "DVD-Rom Activities" page that provided a website link when the disk was inserted in a computer.³⁴⁶

The Board found no genuine dispute that the additional content on the DVD was not sufficient to establish that the VHS and DVD versions comprise a series of works: "the addition of the

342. *Mattel, Inc. v. The Brainy Baby Co., LLC*, 101 U.S.P.Q.2d 1140 (T.T.A.B. 2011).

343. *Id.* at 1144 (quoting *In re Cooper*, 254 F.2d 611, 117 U.S.P.Q. 396, 400 (C.C.P.A. 1958)). Why doesn't this same policy apply to the mark identifying a series of works when the works in the series go out of copyright? Because, the Board noted, in a series, each work has its own individual title, and so "a series name is comparable to the title of a periodical publication such as a magazine or newspaper." *In re Cooper*, 117 U.S.P.Q. at 400.

344. See *In re Scholastic Inc.*, 223 U.S.P.Q. 431, 431 (T.T.A.B. 1984).

345. See *In re Scholastic Inc.*, 23 U.S.P.Q.2d 1774, 1776 (T.T.A.B. 1992); TMEP § 1202.08 (Oct. 2012).

346. *Mattel*, 101 U.S.P.Q.2d at 1143.

minor enhancements in the DVD does not transform this single work into a series, any more than the variations in a live performance that occur from night to night transform the title of a single production into a series.”³⁴⁷ Moreover, the LAUGH & LEARN program was promoted in respondent’s catalogs as a single work available in both VHS and DVD formats.

The Board concluded that consumers would understand that the DVD version, even with the enhancements, was merely the same work as appeared on the VHS tape, rather than another item in a series title LAUGH & LEARN.

11. Procedural Issues

a. Standing

Doyle v. Al Johnson’s Swedish Restaurant & Butik, Inc.

Finding that petitioner Robert Doyle failed to allege sufficient facts that would establish his standing, the Board granted respondent’s motion to dismiss a petition for cancellation of two registrations for a mark³⁴⁸ comprising “goats on a grass roof,” for restaurant services and retail store services.³⁴⁹

Doyle alleged that he personally had been or would be negatively affected by respondent’s registrations because:

Many establishments in the classes to which Registrant’s mark apply have, because of Registrant’s marks, refrained from placing goats on their grass roofs, as a result of which Petitioner has been, and will continued [sic] to be, damaged in that Petitioner has been, and will continue to be, unable to satisfy his desire to take photographs of goats on grass roofs.³⁵⁰

Even though the standing hurdle is quite low,³⁵¹ Doyle failed to clear it. Although he might have had a “real interest” or a “personal stake” in taking photographs of goats on a roof, Doyle did not relate his alleged impairment to respondent’s service mark: that is, there was no allegation that the respondent’s mark somehow prevented him from placing goats on a grass roof and

347. *Id.* at 1143-44.

348. The mark is depicted in Part II.B.6, *supra*.

349. *Doyle v. Al Johnson’s Swedish Rest. & Butik, Inc.*, 101 U.S.P.Q.2d 1780 (T.T.A.B. 2012). The issue of functionality is discussed in Part II.B.6, *supra*.

350. *Id.* at 1781-82.

351. To have standing, “petitioner must allege facts which, if ultimately proven, would establish that petitioner has a ‘real interest,’ i.e., a ‘personal stake,’ in the proceeding.” *Id.* at 1782 (quoting *Ritchie v. Simpson*, 170 F.3d 1092, 50 U.S.P.Q.2d 1023, 1025-26 (Fed. Cir. 1999)).

photographing them, or even photographing the goats on the respondent's restaurants.

Moreover, Doyle's alleged belief that he would be damaged was not reasonable. The respondent's mark did not prevent his photographing goats on grass roofs. Doyle did not allege that he used or wanted to use goat photographs in connection with restaurant or retail store services. In short, he failed to allege a reasonable basis in fact to support his claim of standing.

b. Standing for Foreign Trademark Owner

Corporacion Habanos, S.A. v. Rodriguez

Two Cuban corporations sought to cancel a Supplemental Registration for the mark PINAR DEL RÍO for cigars, on four grounds: Section 2(a) deceptiveness; Section 2(e)(3) geographically deceptive misdescriptiveness; violation of the Pan American Convention³⁵² (because the mark is an indication of geographical origin or source but the goods do not come from that place); and fraud.³⁵³ Respondent Rodriguez moved to dismiss under Rule 12(b)(6), Federal Rules of Civil Procedure, on the ground of lack of standing. The Board denied the motion.

To survive a motion to dismiss, a petition for cancellation must include allegations of fact that would "allow the Board to conclude, or draw a reasonable inference that, the petitioner has standing and that a valid ground for cancellation exists."³⁵⁴ The petitioner need allege only sufficient factual matter to suggest its claim is plausible and "raise a right to relief above the speculative level."³⁵⁵ With regard to standing, the petition must show that petitioner has a real interest in the outcome of the proceeding.³⁵⁶

Petitioner Habanos, engaged in the worldwide trade in Cuban cigars, and petitioner "Cubatabaco" (short for Empresa Cubana del Tabaco), a state corporation owning a registration for PINAR DEL RIO in Cuba, alleged that PINAR DEL RIO was an appellation of origin for tobacco products made in the area of Pinar del Rio Province, Cuba.

Respondent Rodriguez argued that, under the Cuban Assets Control Regulations,³⁵⁷ the petitioners had standing to cancel a

352. The Gen. Int'l Am. Convention for Trade Mark and Commercial Protection, 46 Stat. 2907, Feb. 20, 1929 (the "Pan American Convention").

353. *Corporacion Habanos S.A. v. Rodriguez*, 99 U.S.P.Q.2d 1873 (T.T.A.B. 2012).

354. *Id.* at 1874.

355. *Id.* (quoting *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555-56 (2007)).

356. *Id.* (citing *Ritchie v. Simpson*, 170 F.3d 1092, 50 U.S.P.Q.2d 1023, 1025 (Fed. Cir. 1999)).

357. 31 C.F.R. Part 515.

registration only if the cancellation was related to an effort by petitioners to register a similar mark with the USPTO. The Board disagreed, pointing out that there was no requirement for the petitioners to establish a property interest in a mark in order to have standing under Section 2(a) or 2(e)(3). They “do not need to own a pending application for the mark, do not have to be using the term as a mark, or even use the term at all.”³⁵⁸

The Board further explained that the Cuban Assets Control Regulations, which implemented the United States trade embargo against Cuba, generally prohibit transactions in the United States involving property, including trademarks, in which Cuba or a Cuban National has an interest, unless licensed or exempt.

A general license authorizes transactions related to the registration and renewal of trademarks in which Cuba or a Cuban national has an interest. . . . Transactions by or on behalf of Cuba or Cuban nationals that are not authorized by the general license, such as a cancellation petition on the grounds that a trademark is geographically deceptively misdescriptive, must be authorized by a specific license issued by the United States Department of the Treasury’s Office of Foreign Assets Control (OFAC).³⁵⁹

Here, the petitioners obtained a specific license from OFAC, authorizing them “to file and prosecute a cancellation petition in the Trademark Trial and Appeal Board of the United States Patent and Trademark Office to the registration ‘PINAR DEL RIO’ for cigars filed by or registered to Juan E. Rodriguez, Gretna, Louisiana, Reg. No. 3542236.”³⁶⁰

With regard to standing, the petitioners alleged that their worldwide business in exporting cigars (except to the United States) would be damaged by the respondent’s registration of his deceptive and misdescriptive mark for use on cigars of non-Cuban origin. Thus, the petitioners alleged a real interest in this proceeding. The Board then reviewed petitioners’ pleading and found that it adequately alleged a claim under Section 2(e)(3). Because petitioners had adequately pleaded standing for at least one claim, they were permitted to assert “any other legally sufficient ground as well, including the claims based on Section 2(a), the Pan American Convention and fraud.”³⁶¹

358. *Corporacion Habanos*, 99 U.S.P.Q.2d at 1876 (citing *Eastman Kodak Co. v. Bell & Howell Document Mgmt. Prods. Co.*, 23 U.S.P.Q.2d 1878, 1879 (T.T.A.B. 1992), *aff’d*, 994 F.2d 1569, 26 U.S.P.Q.2d 1912 (Fed. Cir. 1993).

359. *Id.* at 1874 n.3.

360. *Id.* at 1875.

361. *Id.* at 1877.

And so the Board concluded that petitioners sufficiently *pleaded* standing to survive this motion to dismiss, although *proof* of standing remained for trial.

c. Res Judicata

Zachry Infrastructure, LLC v. American Infrastructure, Inc.

The Board entered partial summary judgment in two oppositions, concluding that collateral estoppel (issue preclusion) barred consideration of the applicant's claims of acquired distinctiveness under Section 2(f) in light of a judgment in an earlier civil action between the parties.³⁶² However, it rejected opposer Zachry's assertion that claim preclusion applied to the issue of genericness from three related oppositions in which applicant AII defaulted.

Applicant AII had filed two applications to register the mark AMERICAN INFRASTRUCTURE in standard character form for various construction services. Zachry alleged that the mark was generic or merely descriptive under Section 2(e)(1), primarily geographically descriptive under Section 2(e)(2), and lacking in acquired distinctiveness. The Board consolidated these two proceedings with the three related oppositions involving design marks that included the phrase AMERICAN INFRASTRUCTURE, with additional wording in two of the marks. It then suspended all of the proceedings pending the outcome of a civil action brought by AII against Zachry, based on Zachry's use of AMERICAN INFRASTRUCTURE as part of its (prior) name.

The district court entered summary judgment against AII, ruling that it had failed to provide sufficient evidence to create a genuine factual issue regarding Zachry's defense of lack of acquired distinctiveness for the term AMERICAN INFRASTRUCTURE. In view of that court ruling, Zachry filed a motion for judgment in all five pending opposition proceedings. Applicant AII then expressly abandoned the applications for the three design marks that included the words AMERICAN INFRASTRUCTURE, and the Board entered judgment by default against AII in those three oppositions.

Applicant AII next filed an unconsented motion to amend the two standard character AMERICAN INFRASTRUCTURE applications to seek registration on the Supplemental Register, asserting that the district court did not determine that the mark was incapable of distinguishing its services.

³⁶² Zachry Infrastructure, LLC v. Am. Infrastructure, Inc., 101 U.S.P.Q.2d 1249 (T.T.A.B. 2011).

The Board agreed with Zachry that issue preclusion applied to the question of whether AMERICAN INFRASTRUCTURE had acquired distinctiveness. In the two opposed applications for the standard character mark, AII sought registration under Section 2(f), thereby conceding that the mark was not inherently distinctive. AII therefore had to prove acquired distinctiveness in order to obtain a Principal Registration. However, the issue of acquired distinctiveness was fully litigated in the civil action and the determination that the mark had not acquired distinctiveness was necessary to the judgment in the civil action. The judgment was therefore binding on the Board, and it barred re-litigation of the issue.³⁶³

As to the issue of genericness, the Board ruled that issue preclusion did not apply because the transactional facts at issue differed between the civil action and the oppositions. The civil action involved a claim by AII that its mark was distinctive and protectable, and the issue of whether Zachry had infringed. In the oppositions, however, the issue was AII's right to register. Moreover, the district court did not consider whether AMERICAN INFRASTRUCTURE was generic for AII's services, nor did it need to make that determination in order to enter summary judgment on AII's civil claims.

Opposer Zachry also contended that the entry of default judgment in the other three oppositions, each of which included a claim of genericness, required that judgment also be issued on the genericness claim in these two oppositions.³⁶⁴ However, because the marks in those three proceedings were different from the standard character mark at issue here,³⁶⁵ and because the two standard character applications were filed before the entry of the default judgments, claim preclusion did not apply. As the CAFC has ruled, "a trademark owner is entitled to choose which opposition to defend, when the proceedings are not an attempt to evade the effect of a previous adverse judgment on the merits."³⁶⁶ In other words, the Board concluded, applicant AII was not required to defend all five oppositions in order to preserve its right to litigate two of them.

363. The Board noted that the applicant did not claim that the mark had acquired distinctiveness after the entry of the court judgment. 101 U.S.P.Q.2d at 1254 n.8.

364. Default judgments are considered judgments on the merits for purposes of applying claim preclusion. *See Int'l Nutrition Co. v. Horphag Research, Ltd.*, 220 F.3d 1325, 1328, 55 U.S.P.Q.2d 1492 (Fed. Cir. 2000).

365. Furthermore, the services in one of the two applications at issue here were entirely different from those of the other four.

366. *Sharp Kabushiki Kaisha v. ThinkSharp, Inc.*, 448 F.3d 1368, 79 U.S.P.Q.2d 1376, 1379 (Fed. Cir. 2006).

Finally, in accordance with its usual practice, the Board deferred until final hearing (or summary judgment) the applicant's motion to amend to the Supplemental Register.³⁶⁷

d. Filing of Madrid Oppositions

CSC Holdings, LLC v. SAS Optimhome

When an opposition to an application under Section 66(a) of the Lanham Act³⁶⁸ (i.e., a Request for Extension of Protection of an International Registration to the United States) is filed, the USPTO must notify the World Intellectual Property Organization (WIPO) of the filing within strict time limits.³⁶⁹ Failure to timely notify WIPO may result in the opposition being limited by the information sent, or dismissed entirely. In order to ensure that the necessary information is captured and timely sent to WIPO, the Trademark Rules require that an opposition to a Section 66(a) application be filed via the USPTO's electronic filing system (ESTTA).³⁷⁰ The ESTTA system automatically sends to WIPO the information entered on the electronic form; any attached pleading is not included in the notification to WIPO.

Moreover, in light of the strict time limits for notification of WIPO, once an opposition is filed against a Section 66(a) application, the opposition may not be amended to add a new ground for opposition.³⁷¹

Here, opposer CSC designated priority and Section 2(d) likelihood of confusion as the only ground of opposition.³⁷² However, in its attached supporting statement it set forth three grounds of opposition: likelihood of confusion, lack of bona fide intent, and fraud.

The Board noted that it had recently ruled in *Hunt Control Systems, Inc. v. Koninklijke Philips Elec. N.V.*,³⁷³ that with respect to an opposition to a Section 66(a) application, the opposition is limited to the goods of the applicant identified on the ESTTA electronic form, and that additional goods listed in an attached pleading are not included in the opposition. Here, the Board applied the same underlying principles of compliance with the

367. See Trademark Rule 2.133, 37 C.F.R. § 2.133, and Section 514.03 of the Trademark Board Manual of Procedure (TBMP) (Third Ed., Rev. 1 (June 2012)).

368. 15 U.S.C. § 1141f(a).

369. See Lanham Act Section 68(c), 15 U.S.C. § 1141h(c).

370. Trademark Rule 2.101(b)(2), 37 C.F.R. § 2.102(b)(2).

371. See Trademark Rule 2.107(b), 37 C.F.R. § 2.107(b).

372. *CSC Holdings, LLC v. SAS Optimhome*, 99 U.S.P.Q.2d 1959 (T.T.A.B. 2011).

373. *Hunt Control Sys., Inc. v. Koninklijke Philips Elec. N.V.*, 98 U.S.P.Q.2d 1558 (T.T.A.B. 2011).

Madrid Protocol, holding that only the ground entered on the ESTTA form, likelihood of confusion, would be included in the opposition.

e. Proper Service of Petition for Cancellation

Jacques Moret, Inc. v. Speedo Holdings B.V.

Under Trademark Rules 2.111(a) and (b),³⁷⁴ when petitioner Moret commenced this proceeding by the filing of its petition for cancellation, it was supposed to have served the petition on either respondent Speedo or its domestic representative, if one had been appointed. Because Speedo did not appoint a domestic representative, Moret should have served Speedo (a Netherlands company) directly. It did not. Instead Moret served an attorney who had corresponded with Moret's counsel regarding a cease-and-desist letter. The Board therefore granted Speedo's motion to dismiss under Rule 12(b)(5), Federal Rules of Civil Procedure.³⁷⁵

Even if the USPTO records for a registration indicate an attorney of record, if that attorney is not designated as domestic representative for the registration, service of a petition for cancellation on that attorney is not sufficient. Likewise, service on an attorney who represented registrant during prosecution, or who represented registrant as to other matters, is not sufficient.

As stated, petitioner Moret should have served a copy of the petition for cancellation on respondent Speedo at its correspondence address in the Netherlands. Service on an attorney who was never counsel of record in this proceeding, nor appointed domestic representative, was insufficient.³⁷⁶ Moret also served a copy of its petition on the Director of the USPTO (concurrently with its motion opposition papers), pointing to Rule 2.24(a)(2). But the Board observed that that Rule concerns service of notices or process in applications during *ex parte* prosecution and does not govern service of papers in cancellation proceedings.

Nonetheless, the Board noted that the law firm that filed the motion to dismiss here was now recognized as counsel of record in this proceeding. That firm received a copy of the petition for cancellation as part of Moret's opposition to the motion to dismiss. Because respondent Speedo was then clearly on notice of the proceeding, the Board deemed the proceeding as commenced on July 28, 2011 (when the law firm received the copy), revoked the

374. 37 C.F.R. §§ 2.111(a) and (b).

375. *Jacques Moret, Inc. v. Speedo Holdings B.V.*, 102 U.S.P.Q.2d 1212 (T.T.A.B. 2012).

376. Note that a power of attorney filed in connection with an application expires when the application issues to registration. *Id.* at 1216 n.8.

original filing date of June 16, 2011, and set out a discovery and trial schedule.

f. Alternative Case Resolution (ACR)

Lebanon Seaboard Corp. v. R & R Turf Supply, Inc.

In this Section 2(d) opposition proceeding,³⁷⁷ the parties opted to invoke the Board's Accelerated Case Resolution Procedure (ACR).³⁷⁸

Shortly before discovery closed, the parties stipulated to submission of their trial evidence concurrently with their legal arguments.³⁷⁹ They also stipulated that testimony could be submitted by affidavit or declaration. And they stipulated that, inter alia, the opposer has standing and priority of use, the goods of the parties are legally identical, and the word "trifecta" has no special meaning in the field of grass seed.

Although the Board found it "admirable" that the parties chose the ACR route, it noted that they needlessly submitted evidence as to certain facts and issues that had already been stipulated. The parties also needlessly stipulated that the Board "resolve any disputed issues of material fact in making a final determination on the merits."³⁸⁰ Such a provision applies in a summary judgment context but not here, because the parties actually went to trial. The Board may, of course, decide factual issues at trial.

12. Motion Practice

a. Motion for Suspension of Proceedings

New Orleans Louisiana Saints LLC v. Who Dat?, Inc.

The Board granted the parties' motions to suspend this opposition in view of a civil action brought by the National Football League over the alleged trademark WHO DAT.³⁸¹ The applicant sought to register the mark for lighters, tobacco pouches, and the like, and for arena and entertainment services, but the New

377. *Lebanon Seaboard Corp. v. R & R Turf Supply, Inc.*, 101 U.S.P.Q.2d 1826 (T.T.A.B. 2012). The likelihood of confusion issues are discussed in Part II.B.1.a, *supra*.

378. The TTAB provides considerable information regarding various ACR options at its website at <http://www.uspto.gov/trademarks/process/appeal/index.jsp>.

379. The Board noted that this approach was similar to a case involving cross-motions for summary judgment in which the parties agree that the Board may resolve any material issue of fact without trial. *See, e.g.*, *Weatherford/Lamb, Inc. v. C&J Energy Servs., Inc.*, 96 U.S.P.Q.2d 1834 (T.T.A.B. 2010).

380. *Lebanon Seaboard*, 101 U.S.P.Q.2d at 1830.

381. *New Orleans Louisiana Saints LLC v. Who Dat?, Inc.*, 99 U.S.P.Q.2d 1550 (T.T.A.B. 2011).

Orleans Saints and the NFL opposed, claiming a false association under Section 2(a),³⁸² deceptiveness under 2(a),³⁸³ and (rather ridiculously) likelihood of confusion with various NFL and Saints' marks (none of which came anywhere near the mark WHO DAT).

The applicant moved for suspension in light of two other pending oppositions to its mark, but the Board denied that motion, explaining that it will usually not suspend one of several oppositions unless the oppositions contain common claims: e.g., mere descriptiveness or failure to function. Here the claims in the three oppositions were different: the other two oppositions involved claims of functionality, genericness, and mere descriptiveness, and resolution of the claims here would have no bearing on those other claims.

Both the NFL and the applicant moved for suspension based upon a lawsuit commended by the NFL in the Louisiana federal court, where the NFL made claims of trademark infringement, among others, and sought to enjoin use of the WHO DAT mark. The Board concluded that, because a decision by the federal court to enjoin use of WHO DAT would have a bearing on this opposition proceeding, the TTAB case should be suspended.³⁸⁴

b. Motion to Compel e-Discovery

Frito-Lay North America, Inc. v. Princeton Vanguard, LLC

Trademark practitioners breathed a collective sigh of relief when the TTAB, recognizing the significant differences between civil litigation and TTAB proceedings, denied a motion to compel sweeping e-discovery in this Section 2(d) contest,³⁸⁵ observing that in Board proceedings “the burden and expense of e-discovery will weigh heavily against requiring production in most cases.”³⁸⁶

This case concerned the issues of genericness and/or mere descriptiveness of the term PRETZEL CRISPS for “pretzel crackers.” The parties were unable to reach an agreement on a procedure for handling e-discovery (other than use of the “.pdf” format). Applicant Princeton produced tens of thousands of

382. 15 U.S.C. § 1052(a) (“falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols”).

383. 15 U.S.C. § 1052(a) (“consists of or comprises . . . deceptive . . . matter”).

384. The Board noted that “[a] decision by the district court may be binding on the Board whereas a determination by the Board as to a defendant’s right to obtain or retain a registration would not be binding or res judicata in respect to the proceeding pending before the court. Whopper-Burger, Inc. v. Burger King Corp., 171 U.S.P.Q. 805, 807 (T.T.A.B. 1971).” 99 U.S.P.Q.2d at 1552.

385. *Frito-Lay North Am., Inc. v. Princeton Vanguard, LLC*, 100 U.S.P.Q.2d 1904 (T.T.A.B. 2011).

386. *Id.* at 1909.

documents (possibly from a prior civil lawsuit), including electronically stored information (ESI), but it was dissatisfied with opposer Frito-Lay's document production. Princeton moved to compel, claiming that Frito-Lay's electronic discovery efforts were insufficient. Frito-Lay argued that the cost (\$70,000–100,000) would far outweigh the benefit.

The Board discussed at length the role of e-discovery in civil actions and in Board proceedings, noting that in the courts “there is an increasing focus on the question of proportionality, and on whether the type of extensive ESI discovery applicant advocates here is always justified.”³⁸⁷ In Board proceedings, discovery is expected to be less extensive than in court, and demands for e-discovery should be carefully scrutinized.

In view of our limited jurisdiction, the narrowness of the issues to be decided by the Board, and the concerns expressed by the Federal Circuit, the burden and expense of e-discovery will weigh heavily against requiring production in most cases. Parties are advised to be precise in their requests and to have as their first consideration how to significantly limit the expense of such production. Absent such a showing, the likelihood of success of any motion to compel will be in question.³⁸⁸

The Board denied applicant Princeton's motion to compel in large part, refusing to require Frito-Lay to “start its document production over, using the same or similar protocols to those the applicant employed.”³⁸⁹

Applicant has simply failed to establish that opposer's method of searching and producing documents was insufficient as a general matter, given the parties' failure to agree on an ESI discovery protocol in advance, the nature of applicant's discovery requests and the issues in this proceeding.³⁹⁰

The Board proceeded to pare down Princeton's demands and then ordered Frito-Lay to produce documents in response to certain, narrowed requests.

c. Motion to Exclude Belatedly Identified Witnesses

Great Seats, Inc. v. Great Seats, Ltd.

Better late than never didn't work for this opposer, when the Board granted the applicant's motion to quash and to exclude the

387. *Id.* at 1908.

388. *Id.* at 1909.

389. *Id.*

390. *Id.*

testimony of twenty-six (count 'em, 26!) potential witnesses first identified in amended and supplemental disclosures served six months after the last date for the opposer's pre-trial disclosures.³⁹¹

The opposer contended that any failure to disclose the witnesses was harmless and was justified because the opposer was concentrating its efforts on settlement. It further argued that these witnesses were crucial to its case.

The Board was guided by the five-factor test of *Southern States Rack & Fixture*:³⁹² (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) importance of the evidence; and (5) the nondisclosing party's explanation for its failure to disclose the evidence.

The Board found that the belated identification of these witnesses resulted in "unfair surprise to applicant and deprived applicant of any opportunity to take discovery from them."³⁹³ The applicant could not cure the surprise without moving to quash or seeking to reopen discovery, or preparing for unplanned cross-examination of the witnesses during their trial testimony. And the late identification disrupted the trial schedule.

The testimony of the witnesses could have been important because the opposer had the burden of proof on the issue of priority, and so this factor might have favored the opposer. However, it had two other witnesses who could address the issue of prior rights in the GREAT SEATS mark at issue.

The Board noted that the opposer's explanation suggested that the opposer "only fully considered how it would establish its claims after settlement discussions ended."³⁹⁴

To allow all of the new potential witnesses to testify under these circumstances would overlook and essentially excuse opposer's failure to supplement discovery and reward its correspondingly late disclosure of these witnesses. Therefore, this factor strongly favors applicant.³⁹⁵

391. *Great Seats, Inc. v. Great Seats, Ltd.*, 100 U.S.P.Q.2d 1323 (T.T.A.B. 2011).

392. *Southern States Rack & Fixture, Inc. v. Sherwin-Williams Co.*, 318 F.3d 592, 597 (4th Cir. 2003), provides a five-factor test for determining whether the failure to disclose. In determining whether to allow the introduction of belatedly disclosed evidence: (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) importance of the evidence; and (5) the non-disclosing party's explanation for its failure to disclose the evidence.

393. *Great Seats, Inc. v. Great Seats, Ltd.*, 100 U.S.P.Q.2d at 1327.

394. *Id.* at 1328.

395. *Id.*

On balance, the Board found the opposer's actions "neither harmless nor substantially justified" and it deemed the "estoppel sanction" appropriate.³⁹⁶

As to a twenty-seventh belatedly named witness, his identity was disclosed in the opposer's initial pre-trial disclosures (but not during discovery), and therefore he was allowed to testify, but only after the applicant had the opportunity to take his discovery deposition.

d. Motion to Reopen Testimony Period

Vital Pharmaceuticals, Inc. v. Kronholm

When the Board issued an order to show cause under Rule 2.128(a)(3),³⁹⁷ due to opposer Vital's failure to file a final brief, Vital asserted that it had been in settlement negotiations with applicant Kronholm, and that it had not lost interest in the case.³⁹⁸ Vital requested that its time to file a brief be extended and that all deadlines be re-set, including the testimony periods. Applicant Kronholm, however, asserted that there had been no settlement discussions, pointing to a communication from Vital, two months prior to the opening of testimony, stating that Vital did not wish to settle. The Board discharged the show cause order, finding that Vital had not lost interest in the case, but it refused to reopen the testimony periods.

The question was whether Vital had established excusable neglect under Rule 6(b)(1)(B), Federal Rules of Civil Procedure.³⁹⁹ Applying the Supreme Court's

Pioneer factors,⁴⁰⁰ and noting that the third factor, the reason for the delay, may be considered the most important,⁴⁰¹ the Board found that the failure to seek extensions of time for its testimony period were within Vital's reasonable control, and that the purported settlement discussions did not prevent the opposer from

396. *Id.*

397. 37 C.F.R. § 2.128 (a)(3).

398. *Vital Pharm., Inc. v. Kronholm*, 99 U.S.P.Q.2d 1708 (T.T.A.B. 2011). The likelihood of confusion issues in this case are discussed in Part II.B.1.b, *supra*.

399. Rule 6(b)(1)(B), Fed. R. Civ. P. provides that a court may, for good cause, extend the time when an act must be done. However, if the motion is made after the time has expired, the movant must establish "excusable neglect."

400. *Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. P'ship*, 507 U.S. 380, 395 (1993). The factors are (1) the danger of prejudice to the non-moving party; (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 moving party; and (4) whether the moving party has acted in good faith.

401. *See FirstHealth of the Carolinas Inc. v. CareFirst of Maryland, Inc.*, 81 U.S.P.Q.2d 1919 (Fed. Cir. 2007); *Pumpkin Ltd. v. The Seed Corps*, 43 U.S.P.Q.2d 1582, 1586 n.7 (T.T.A.B. 1997).

taking testimony or seeking an extension. This third factor weighed heavily against the opposer. As to the second factor, the length of the delay and its impact on the proceeding, the Board found that reopening the testimony periods that had closed seven months previously would amount to a substantial delay of the proceeding, and therefore that factor also weighed “somewhat” against the opposer.

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

By Theodore H. Davis Jr.

A. Establishing Protectable Trademark and Service Mark Rights

1. The Effect of Federal Trademark Registrations on the Mark Validity Inquiry

A putative mark owner lacking a federal registration on the Principal Register bears the burden of demonstrating that it owns protectable rights to its mark.⁴⁰² That principle is expressly codified in Section 43(a)(1)(A)(3) of the Lanham Act⁴⁰³ where the functionality inquiry is concerned,⁴⁰⁴ and courts addressing the issue in the distinctiveness context apply the same rule.⁴⁰⁵ In contrast, the burdens faced by parties in cases in which a Principal Register registration is in play continued to divide courts, especially when the registration in question had not yet passed its fifth anniversary or otherwise had not become incontestable.

The majority rule, and the one reaffirmed by the Second Circuit over the past year is that the “prima facie evidence” of validity and ownership represented by a nonincontestable

402. *See, e.g.*, *Grout Shield Distribs., LLC v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389, 393 (S.D.N.Y. 2011) (“As a threshold matter, given that plaintiff never registered [its] mark, it cannot rely on any presumption of validity that a registration would provide.”).

403. 15 U.S.C. § 1025(a)(1)(A)(3) (2012) (“In a civil action for trade dress infringement . . . for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.”).

404. *See Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963, 983 (S.D. Cal. 2012) (“Because [the plaintiffs] alleged trade dress in its products is not registered, [the plaintiff] bears the burden of proving non-functionality.”).

405. *See, e.g.*, *T. Marzetti Co. v. Roskam Baking Co.*, 680 F.3d 629, 633 (6th Cir. 2012) (“Because the mark in this case was not federally registered and because [the counterclaim defendant] raised ‘genericness’ as a defense, it was [the plaintiffs] burden to prove that the mark at issue was, in fact, not generic.”).

registration under Section 7(b)⁴⁰⁶ and Section 33(a)⁴⁰⁷ affirmatively shifts the burden of proof to a defendant contesting those issues:

“A [nonincontestable] certificate of registration with the PTO is prima facie evidence that the mark is registered and valid (*i.e.*, protectable), that the registrant owns the mark, and that the registrant has the exclusive right to use the mark in commerce.” In order to rebut the presumption of validity, the allegedly infringing party must show, by a preponderance of the evidence, that the mark is ineligible for protection.⁴⁰⁸

In contrast, courts adhering to the minority rule held that ownership of a nonincontestable registration does nothing more than shift the burden of production to a party challenging the validity of the registered mark or of the registrant’s ownership of it.⁴⁰⁹ Applying this rule in the distinctiveness context, one court noted of the evidentiary effect of such a registration that “[t]his presumption of validity may be rebutted by establishing that the mark is not inherently distinctive—indeed, the presumption

406. 15 U.S.C. § 1057(b) (2012) (providing that registration on Principal Register “shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner’s ownership of the mark, and of the owner’s exclusive right to use the registered mark in commerce on or in connection with the goods and services specified in the certificate”).

407. *Id.* § 1115(a) (providing that registration on the Principal Register “shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect . . . which might have been asserted if such mark had not been registered”).

408. *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 216 n.10 (alteration omitted) (citation omitted) (quoting *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 345 (2d Cir. 1999)); *see also L.F.P. IP Inc. v. Hustler Cincinnati Inc.*, 103 U.S.P.Q.2d 1393, 1397 n.4 (S.D. Ohio 2011) (“A registered trademark only creates a presumption of valid ownership, and that presumption can be rebutted by showing prior appropriation and continue used [sic] of the mark.”); *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 712 (S.D.N.Y. 2011) (“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 party seeking cancellation [of the registration] or the alleged infringer.” (internal quotation marks omitted)); *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 151 (S.D.N.Y. 2011) (“The presumption is rebuttable; once the presumption is established the burden shifts to the defendant to show that the trademark is generic.”); *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 569 (M.D.N.C. 2011) (holding with respect to the lead plaintiffs’ nonincontestable registration that “[the defendant] must introduce sufficient evidence, by a preponderance, to rebut the presumption of [the lead plaintiffs] right to exclusive use”).

409. *See, e.g., Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013, 1022 (C.D. Cal. 2011) (“Under the Lanham Act, registration of a trademark creates a rebuttable presumption that the mark is valid, but the presumption evaporates as soon as evidence of invalidity is presented.”).

evaporates as soon as evidence of invalidity is presented.”⁴¹⁰ Another court invoked the same principle to limit the significance of a nonincontestable registration proffered by a plaintiff to establish both the nonfunctionality and distinctiveness of its product design.⁴¹¹

Confusion on this issue was sufficiently pervasive that some courts dodged the issue by acknowledging the possible evidentiary significance of the registrations before them, but then failing to state clearly the nature of the burden shifted by the registrations.⁴¹² And at least one court tried to have it both ways, concluding that the registration before it effected a shift in the burden of proof immediately before holding that the registration merely shifted the burden of production:

A certificate of registration with the PTO is prima facie evidence that the mark is registered and valid (i.e., protectable), that the registrant owns the mark, and that the registrant has the exclusive right to use the mark in commerce. 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 protectibility by a preponderance of the evidence. If sufficient evidence of [invalidity] is produced to rebut the presumption, the presumption is neutralized and essentially drops from the case, although the evidence giving rise to the presumption remains.⁴¹³

The issue was clearer where the validity of marks covered by incontestable registrations within the meaning of Section 15⁴¹⁴

410. *FPX, LLC v. Google, Inc.*, 276 F.R.D. 543, 550 (E.D. Tex. 2011) (internal quotation marks omitted).

411. *See Dwyer Instruments Inc. v. Sensocon Inc.*, 103 U.S.P.Q.2d 1444, 1450 (N.D. Ind. 2012) (“Registration under the Lanham Act affords the registrant a rebuttable presumption of validity Indeed, the presumption evaporates as soon as evidence of invalidity is presented.” (internal quotation marks omitted)).

412. *See, e.g., Innovative Legal Mktg., LLC v. Mkt. Masters-Legal*, 852 F. Supp. 2d 688, 696 (E.D. Va. 2012) (finding that defendant had failed to rebut “presumption of validity” attaching to registered mark but not specifying what showing was necessary for such a rebuttal); *Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819, 825 (W.D. Mich. 2011) (same); *U.S. Polo Ass’n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 525-26 (S.D.N.Y. 2011) (same). For an example of this approach where the significance of Massachusetts state registrations was concerned, see *Peoples Federal Sav. Bank v. People’s United Bank*, 672 F.3d 1, 16 (1st Cir. 2012) (“[E]ven if . . . a presumption [of distinctiveness] applies . . . (a matter on which we take no view), a fair reading of the record supports the district court’s finding that there was sufficient evidence to rebut such a presumption.”).

413. *Firefly Digital, Inc. v. Google Inc.*, 817 F. Supp. 2d 846, 856-57 (W.D. La. 2011) (citations omitted) (internal quotation marks omitted).

414. 15 U.S.C. § 1065 (2012).

were concerned, in which case Section 33(b)⁴¹⁵ controlled: “Ownership of an incontestable mark constitutes conclusive evidence of the registrant’s right to exclusive use of the mark in commerce for the [goods or] services specified in the registration, subject only to the few defenses enumerated in [Section 33(b)].”⁴¹⁶ As always, however, registrants failing to establish the incontestability of their registrations as a factual matter were unable to avail themselves of these evidentiary benefits. Consequently, one court concluded even while entering a default judgment that “[the plaintiff] did not plead facts establishing the elements of [Section 15], and the [court] therefore cannot conclude that [the plaintiff’s] trademarks are incontestable.”⁴¹⁷

Even if established, incontestability also may have limited value if the incontestable registration in question covers only a portion of the mark sought to be protected. In one case in which this rule was applied, the counterclaim plaintiffs claimed protectable rights in, inter alia, the shape, color scheme, wooden stopper, debossed glass, neck flange, and neck width of the trapezoidal bottle in which their tequila was sold.⁴¹⁸ In support of its claim of distinctiveness for this collection of features, the counterclaim plaintiffs introduced into evidence an incontestable registration covering the shape of a bottle featuring a glass stopper. The court found that showing wanting on the ground that “the incontestable status of the . . . Registration does not establish that the broader [claimed] trade dress . . . is inherently distinctive, because the [counterclaim] plaintiffs cannot separate out and rely on only one incontestable element of the whole.”⁴¹⁹

Finally, one court concluded that the evidentiary presumptions attaching to a group of incontestable and nonincontestable registrations were suspended because the registrant happened to be suing a pair of defendants who produced goods not covered by the registrations:

[T]he plaintiff claims that the defendants infringed its [BLING BLING 2002] mark by using the word “bling” in connection with lottery tickets, and the plaintiff owns no registrations for its mark for lottery tickets. Because the presumption of an

415. *Id.* § 1114(b).

416. *FPX, Inc. v. Google, Inc.*, 276 F.R.D. 543, 551 (E.D. Tex. 2011); *accord TracFone Wireless, Inc. v. PAK China Grp.*, 843 F. Supp. 2d 1284, 1294 (S.D. Fla. 2012) (“If a registered trademark is incontestable, its validity, ownership, and exclusive right of use are conclusive and irrebuttable, subject only to a limited number of defenses.”).

417. *Myra Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922, 937 (E.D. Va. 2011).

418. *See E & J Gallo v. Proximo Spirits, Inc.*, 103 U.S.P.Q.2d 1640 (E.D. Cal. 2012).

419. *Id.* at 1650; *see also id.* at 1651 (“[T]he anti-dissection rule, the . . . Registration, which includes only one element of the [claimed] trade dress, fails to establish that the broader . . . trade dress is inherently distinctive.”).

exclusive right to use a registered mark extends only to the goods and services noted in a registration certificate, the plaintiff is not entitled to a presumption of an exclusive right to use [its] mark for lottery tickets. Nor does the incontestable status of one of the marks constitute conclusive evidence of the mark's validity, because such conclusive evidence shall relate only to the exclusive right to use the mark on or in connection with the goods or services specified.⁴²⁰

The court erred in employing this methodology, because such an approach confuses and conflates mark validity with the separate issue of liability. The proper inquiry where the validity of a registered mark is concerned, of course, is whether the *registrant's* goods and services line up with those covered by the registration. That a defendant's goods and services are not directly competitive with those of the registrant properly should be taken into account when determining whether confusion or dilution is likely between the parties' marks, but it is irrelevant to whether the plaintiff has protectable rights in the first instance.

2. The Common-Law Prerequisites for Trademark Rights

a. Proving Use in Commerce

(1) The Nature and Quantity of Use in Commerce Necessary to Establish Protectable Rights

For the most part, use in commerce is a prerequisite for protectable rights to a trademark or service mark under the Lanham Act's likelihood-of-confusion-based causes of action.⁴²¹ The Ninth Circuit reiterated its relatively lenient test for this requirement in an appeal presenting dovetailing claims of priority by the parties to closely similar marks:

We have . . . indicated that evidence of actual sales, or lack thereof, is not dispositive in determining whether a party has established "use in commerce" within the meaning of the Lanham Act. Instead, we have acknowledged the potential relevance of non-sales activity in demonstrating not only

420. *Gameologist Grp. v. Scientific Games Int'l, Inc.*, 838 F. Supp. 2d 141, 153 (S.D.N.Y. 2011) (alterations in original omitted) (footnote omitted) (citations omitted) (internal quotation marks omitted).

421. Section 43(a) of the Act, expressly requires a plaintiff proceeding under it to show prior "use[] in commerce," 15 U.S.C. § 1125(a)(1) (2012), while the treatment of the issue under Section 32, *id.* § 1114, is more nuanced: The cause of action under the latter statute is restricted to owners of federal registrations, which, at least where United States domiciliaries are concerned, require showings of use in commerce to issue. *See id.* § 1051(a)-(b).

whether a mark has been adequately displayed in public, but also whether a service identified by the mark has been “rendered in commerce.”

. . . .

Accordingly, even if a party completes the initial sale of its services only after its opponent has done so, that party still could establish prior use of the contested mark based on its prior non-sales activities.⁴²²

Nevertheless, the court also cautioned that “we have also made it clear that such non-sales activities still must be sufficiently public in nature to identify or distinguish the goods or services in an appropriate segment of the public mind as belonging to the owner.”⁴²³

The court then turned its attention to a finding as a matter of law that a group of plaintiffs had failed to demonstrate use of their marks predating that of the defendant. The plaintiffs specialized in business incubation services, and the breadth of the possible activities falling within that umbrella worked to the plaintiffs’ advantage. Reviewing the summary judgment record, the court found multiple examples of evidence and testimony weighing in favor of a finding of prior use, not the least of which was the plaintiffs’ showing that they actually had provided incubation services in commerce; of lesser significance (but not to the court), the plaintiffs also had provided movie production services and acted as a landlord to one of their clients.⁴²⁴ The court considered equally probative the plaintiffs’ showings of “nonsale activities” that had generated “a significant amount of publicity about their services and the [claimed] marks and names.”⁴²⁵ Although the record might not *mandate* a finding of priority in the plaintiffs’ favor, it certainly *permitted* one, and the district court’s entry of summary judgment in the defendant’s favor therefore was inappropriate.⁴²⁶

422. *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1205, 1206 (9th Cir. 2012) (quoting 15 U.S.C. § 1127 (2006)).

423. *Id.* at 1206.

424. *See id.* at 1207-08.

425. *Id.* at 1208. As described by the court, those “nonsale activities” were borne out by:

(1) numerous news stories in various trade and other publications . . . ; (2) appearances at various trade shows and publicity parties (such as the 2000 launch party for [one of the plaintiffs’ businesses]; and (3) the distribution of [branded] merchandise (ranging from such items as mugs and t-shirts . . . to Nintendo Game Boy “invitations” distributed for the 2000 launch party.

Id.

426. *See id.*

The Ninth Circuit was not the only court to conclude that a factual dispute precluded the grant, at least in part, of a defense motion for summary judgment on the issue of use in commerce. Indeed, a district court in that jurisdiction reached the same outcome in an opinion turning on whether claimed prior uses were merely ornamental, rather than trademark, in nature.⁴²⁷ The disputed mark was WE NOT ME, which the plaintiff affixed to, inter alia, hats, shirts, and flip-flop sandals. As the court summarized it, the defendants' argument was that "the only way one can properly use a trademark on a shirt or similar item is by placing that mark on the item's label or associated hang tag," the exception being when "the owner of the mark is a company so well-know[n] that a vast number of consumers already associate[] it with the mark."⁴²⁸ From a legal perspective, the court held that the plaintiff's theory was "completely at odds with the leading cases to address the issue"⁴²⁹ because it was "well-established that even use of a mark as ornamentation on apparel manufactured by others qualifies as trademark use as long as the mark also serves the trademark purpose of identifying the source of the product."⁴³⁰ And, as a factual matter, the appearance and presentation of the claimed mark on at least the plaintiff's shirts and hats—on one sleeve and over the breast of each shirt and on the front and the back of each hat—sufficiently weighed in favor of a finding of mark use to defeat the defendants' motion as to those goods.⁴³¹ The motion did succeed where the plaintiff's sandals were concerned, however, on the ground that "[s]ince the [claimed mark] takes up a significant amount of the visible display space on the flip-flops and is the only decoration on an otherwise plain sandal, it appears to function merely as ornamentation."⁴³²

In contrast, the fact-intensive nature of the use-in-commerce inquiry did not preclude the grant of a defense motion for summary judgment in a different case.⁴³³ Attempting to establish rights sufficient to allow it to challenge the defendants' use of BA-DA-BLING in connection with lottery tickets, the plaintiff pointed to sales of board games under its BLING BLING 2002 mark, its posting of an online interactive slot machine game, its negotiations with potential licensees, and its advertising, marketing, and promotion of its mark. The court identified a number of reasons

427. See *Bobosky v. adidas AG*, 843 F. Supp. 2d 1134 (D. Or. 2011).

428. *Id.* at 1143.

429. *Id.*

430. *Id.*

431. See *id.* at 1145-46.

432. *Id.* at 1146.

433. See *Gameologist Grp. v. Sci. Games Int'l, Inc.*, 838 F. Supp. 2d 141 (S.D.N.Y. 2011).

why it was unconvinced by these showings, including that “the plaintiff has only documented four sales of its board game at approximately \$30 each,”⁴³⁴ that alleged additional sales of the board game were undocumented,⁴³⁵ and that “the advertising and promotion in which the plaintiff engaged was not sufficiently widespread or intensive to establish ‘use in commerce’ under the Lanham Act.”⁴³⁶ As to the last of these considerations in particular, the court held:

[T]he plaintiff asserts that it attended trade shows and gaming expeditions, created prototypes of products, purchased an “email blast” announcing a “Bling Bling” casino game to the gaming industry, disseminated press releases, and took out advertisements. However, without providing evidence of how widespread these efforts were and how wide an audience they reached, the plaintiff has failed to raise a genuine issue of material fact that this advertising and promotion was sufficiently “open and notorious” to qualify as use in commerce.⁴³⁷

A use in commerce must clearly be a bona fide one to create protectable rights under federal law,⁴³⁸ but state statutory schemes on their face rarely include the same requirement. The failure of the Georgia trademark act to do so led one set of litigants to argue to the Supreme Court of that state that only use, and not bona fide use, of a mark was necessary to create protectable rights.⁴³⁹ The court affirmed the rejection of that argument below, observing that “[a]lthough the cardinal rule of statutory construction forbids judicial construction where the language of a statute is plain and unambiguous, we do not view the ‘bona fide use’ of a trademark as interpreted by the Court of Appeals to be improper judicial construction.”⁴⁴⁰ Rather, “[i]t merely excludes from the definition of ‘use’ any dishonest or bad faith motives on the part of the person obtaining and using a trademark”⁴⁴¹

434. *Id.* at 155.

435. *See id.*

436. *Id.*

437. *Id.* (citations omitted) (quoting *Housing & Servs., Inc. v. Minton*, No. 97 Civ. 2725, 1997 WL 349949, at *4 (S.D.N.Y. June 24, 1997)).

438. *See* 15 U.S.C. §§ 1051, 1127 (2012).

439. *See* *Kyle v. Ga. Lottery Corp.*, 718 S.E.2d 801 (Ga. 2011).

440. *Id.* at 805 (citation omitted).

441. *Id.*

(2) Use Necessary to Establish “Family” of Marks

A finding that a plaintiff has a “family” of marks can lead to a more expansive scope of protection.⁴⁴² Nevertheless, as one court explained while granting a defense motion for summary judgment in a case presenting allegations of trade dress infringement, “[o]nly after the plaintiff has established the existence of recognizable trade dress for the line or series of products should the trial court determine whether the trade dress is distinctive, whether the trade dress is nonfunctional, and whether the defendant’s use . . . is likely to cause consumer confusion.”⁴⁴³ The plaintiff failed to do this in response to the defendants’ motion: “In this case, Plaintiff has failed to articulate what consistent overall look is present in its family of products. Some products appear to have some of the elements; other products appear to lack some of those elements.”⁴⁴⁴

(3) Use-Based Geographic Rights

Ownership of federal registration on the USPTO’s Principal Register carries with it national constructive priority under Section 7(c) of the Act,⁴⁴⁵ effective as of the filing date of the registrant’s application. Even if a senior user owns an incontestable registration, however, a junior user may avail itself of the affirmative defense under Section 33(b)(5)⁴⁴⁶ that it was using its mark in a discrete geographic area before the senior user’s filing date:

To sustain this defense a junior user must demonstrate: (1) that it adopted, without knowledge of the senior mark users [sic] use, its mark before the senior user registered the [senior user’s] mark; (2) the extent of the trade area in which the junior user operated prior to registration by the senior operator; and (3) [that] the junior user[] continuously used [its] mark in the trade area prior to registration by the senior mark user. A junior mark user’s interest is frozen at the time the senior mark user registers the mark. This essentially means the junior mark user is not allowed to expand its business

442. See generally *J & J Snack Foods Corp. v. McDonald’s Corp.*, 932 F.2d 1460, 1462-63 (Fed. Cir. 1991).

443. *Mobile Shelter Sys. USA, Inc. v. Grate Pallet Solutions, LLC*, 845 F. Supp. 2d 1241, 1255 (M.D. Fla. 2012) (quoting *Rose Art Indus. v. Swanson*, 235 F.3d 165, 173 (3d Cir. 2000)).

444. *Id.* at 1256.

445. 15 U.S.C. § 1057(b) (2012).

446. *Id.* § 1115(b)(5).

beyond the geographical location once the senior user register's [sic] [its] mark.⁴⁴⁷

In working through this test, one court noted that “there is no single factor that is dispositive of this analysis and the application of these factors should be flexible as opposed to a result of strict calculation.”⁴⁴⁸ Although the senior user before the court was able to point to evidence of actual confusion, that showing was not enough to prove the parties’ inability to coexist peacefully in Puerto Rico. The court therefore restricted the junior user’s use of its name to the single city the junior user had occupied as of the time of the senior user’s pursuit of its registration; the senior user was likewise barred from entering that city under its mark, although the court’s injunction otherwise entitled the senior user to use its mark “throughout the rest of the island and the U.S.”⁴⁴⁹

b. Proving Distinctiveness

(1) Distinctiveness of Word Marks

i. Generic Terms and Designations

The leading example of a determination of genericness came from the Sixth Circuit in an appeal from a bench finding that the words “Texas toast” were generic for oversized bread and croutons.⁴⁵⁰ As is often the case in disputes in which claims of genericness succeed, the counterclaim plaintiff’s case was not helped by its own use of its claimed mark as a noun: Indeed, the record reflected that even one of the counterclaim plaintiff’s annual reports “referred to Texas toast croutons as a type of product, not a brand.”⁴⁵¹ Other considerations supporting the outcome at trial included “[w]itness testimony establish[ing] that Texas toast is commonly understood to describe a large bread product, not a producer of bread products,” the counterclaim plaintiff’s concession that other industry participants used the phrase generically, and a consumer survey conducted by the counterclaim plaintiff itself that failed to establish consumer recognition of the phrase as a mark.⁴⁵² Because “the evidence supports the . . . conclusion that the term ‘Texas Toast’ is primarily

447. Dorpan, S.L. v. Hotel Melia, Inc., 851 F. Supp. 2d 398, 410 (D.P.R. 2012) (citations omitted).

448. *Id.*

449. *Id.* at 411.

450. *See* T. Marzetti Co. v. Roskam Baking Co., 680 F.3d 629 (6th Cir. 2012).

451. *Id.* at 632.

452. *See id.* at 634.

associated with a type of product rather than the producer,” the court saw no reason to disturb the verdict below.⁴⁵³

Findings of genericness also came at the expense of the owner of the claimed (and federally registered) “gadget” and “website gadget” marks for downloadable software applications.⁴⁵⁴ The issue of the distinctiveness of these designations led to the observation that “[t]he Court may consider several factors when determining whether a mark is generic, including ‘uncontested generic use by competitors, generic use by the plaintiff, dictionary definitions, media usage, testimony of persons in the trade and consumer surveys.’”⁴⁵⁵ An application of these factors led the court to conclude that the defendant’s motion for summary judgment was meritorious. Specifically, as to “gadget”: (1) “[the plaintiff] concedes that it never complained nor took any steps to prevent [third parties] from using the term gadget to refer to mini-applications that can be embedded in a website or intranet site”;⁴⁵⁶ (2) the most relevant dictionary definitions adduced by the parties weighed in the defendant’s favor;⁴⁵⁷ (3) the defendant was able to cite to “a number of books which have been written to address the use of gadgets as mini-applications”;⁴⁵⁸ and (4) survey evidence adduced by the defendant disclosed that “[t]hree percent (3%) of those surveyed believed gadget to be a brand name, compared to 89% who believed it to be a common, generic name and 8% who answered both or were uncertain.”⁴⁵⁹ Much the same evidence, including another survey that also yielded a meager 3 percent positive response rate, led the court to conclude as a matter of law that “the combination of the generic term gadget with the term website merely identifies a category of gadget—a tool to use in a website.”⁴⁶⁰

453. *Id.*

454. *See* *Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846 (W.D. La. 2011).

455. *Id.* at 858 (quoting 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 12:13 (4th ed. 2010)).

456. *Id.*

457. *See id.* at 858-59.

458. *Id.* at 859.

459. *Id.* at 860.

460. *Id.* at 861.

Rather improbably, the court then went on to determine that the plaintiff’s claimed “website gadget” mark was unprotectable as a matter of law for the additional reason that it was descriptive and lacked secondary meaning, largely on the basis of the defendant’s survey evidence. *See id.* at 861-63. As the court explained its decision to reach this second holding, “[a]lthough these [trademark] categories are meant to be mutually exclusive, they are spectrum-like and tend to merge imperceptibly from one to another. For this reason, they are difficult to define, and, quite frequently, difficult to apply.” *Id.* at 861 (alterations in original) (quoting *Vision Ctr. v. Opticks, Inc.*, 596 F.2d 111, 116 (5th Cir. 1979)).

ii. Descriptive Marks

“A ‘descriptive’ mark identifies a characteristic or quality of the product” associated with it.⁴⁶¹ Under an application of this standard, the Eleventh Circuit had little difficulty affirming a bench finding that the UNIVERSAL NIGHT SIGHT/UNS mark was descriptive when used in connection with night vision devices with military applications. In doing so, it cited approvingly the district court’s findings that “the words ‘night sight’ were a generic term used in the sniper community to refer to the genus of goods that enable a sniper to observe or acquire a target at night” and “the word ‘universal’ [is] descriptive.”⁴⁶²

The First Circuit similarly entertained an appeal from a finding of descriptiveness, albeit one triggered by a motion for a preliminary injunction, and it similarly affirmed.⁴⁶³ The mark in question was PEOPLES FEDERAL SAVINGS BANK, rather predictably used in connection with banking services. As the appellate court summarized things, the district court’s finding of descriptiveness was grounded in three showings in the preliminary injunction record: (1) the mark “did not require a stretch of the imagination to associate the term ‘People’ with banking services”;⁴⁶⁴ (2) “the term ‘Peoples’ is a straightforward way to describe a bank as ‘people-oriented’”;⁴⁶⁵ and (3) the frequent use of the term “People” in connection with banking services also cut in favor of a finding of descriptiveness.⁴⁶⁶

Several district court opinions drove home the point that combinations of descriptive or generic terms do not necessarily result in inherently distinctive marks.⁴⁶⁷ One did so en route to a finding that the FANCASTER mark was merely descriptive of a website at which video clips featuring sports-related content could be accessed:

The word fancaster is merely a combination of the words “fan” and “broadcaster”. While the word “fan” has several

461. *Knights Armament Co. v. Optical Sys. Tech., Inc.*, 654 F.3d 1179, 1188 (11th Cir. 2011).

462. *Id.* at 1189.

463. *See Peoples Fed. Sav. Bank v. People’s United Bank*, 672 F.3d 1 (1st Cir. 2012).

464. *Id.* at 6.

465. *Id.* (quoting *Peoples Fed. Sav. Bank v. People’s United Bank*, 750 F. Supp. 2d 217, 223 (D. Mass. 2010), *aff’d*, 672 F.3d 1 (1st Cir. 2012)).

466. *See id.*

467. *See, e.g., Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262, 1278 (D. Colo. 2012) (“It is undisputed that [the counterclaim plaintiffs] mark [for nasal irrigation products] is comprised of two generic terms—sinus and cleanse—which, when combined together, create the descriptive mark ‘Sinu Cleanse.’”); *Grout Shield Distribs., Inc. v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389, 409-11 (E.D.N.Y. 2011) (finding GROUT SHIELD descriptive of products related to the coloring, cleaning, and sealing of grout).

definitions, two common ones are (1) “an enthusiastic devotee (as of a sport or a performing art) usually as a spectator,” and (2) “an ardent admirer or enthusiast (as of a celebrity or a pursuit).” The word “caster” is merely a truncation of the word “broadcaster”. Thus, the name fancaster aptly describes its product as pertaining to sports and other fan-related broadcasting videos. Indeed, [the plaintiff’s] business plan states that fancaster.com offers content relating to “fans who want to emulate broadcasters.”⁴⁶⁸

A mark incorporating the name of the Motor City fell victim to a finding of geographic descriptiveness at the hands of another district court, this one in the Eastern District of Michigan.⁴⁶⁹ The plaintiff was Chrysler Group, which aired a two-minute Super Bowl television commercial concluding with the words “IMPORTED FROM DETROIT” on the screen “for seven seconds.”⁴⁷⁰ When Chrysler and a group of defendants alike began selling T-shirts bearing the phrase, Chrysler quickly but unsuccessfully sought preliminary injunctive relief, arguing that the phrase was a “clever commentary underlying [a] play on words,” which required a “mental leap” to identify the associated goods and that it was impossible for a domestic company to “import” a vehicle from “Detroit.”⁴⁷¹ The court drove over these contentions with all four tires squealing: “The . . . phrase . . . is not inherently distinctive; it is geographically descriptive. There is no mental leap required to understand the phrase, as Plaintiff suggests. The phrase . . . simply describ[es] the geographic origin of the goods as the city of Detroit.”⁴⁷² In particular, “[t]he word ‘from’ is a preposition that is commonly used to indicate source or origin. ‘Detroit’ is a geographic location. These terms separately and together indicate a geographic description.”⁴⁷³

iii. Suggestive Marks

One court held that “[a] suggestive mark consists of words that connote, rather than describe, some quality or characteristic of a product or service.”⁴⁷⁴ It then opined in dictum that “[e]xamples of suggestive marks (which conjure images of

468. *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 415-16 (D.N.J. 2011) (footnote omitted).

469. *Chrysler Grp. v. Moda Grp.*, 796 F. Supp. 2d 866 (E.D. Mich. 2011).

470. *See id.* at 870.

471. *Quoted in id.* at 872.

472. *Id.* (citation omitted).

473. *Id.* at 873.

474. *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 568 (M.D.N.C. 2011).

associated products), include Coppertone®, Orange Crush®, and Playboy®.”⁴⁷⁵ This doctrinal framework led the court to conclude that, as used in connection with “fashion-oriented products for young women, including tank tops, T-shirts, long-sleeved shirts, jackets, intimate apparel, and jewelry,”⁴⁷⁶ the REBEL DEBUTANTE mark was suggestive. Rather than taking into account the nature of the goods associated with the mark, the court’s analysis focused solely on the mark itself: “[T]he term ‘Rebel Debutante’ on its face appears suggestive, juxtaposing two words not typically associated with one another, that is, the formal, reserved debutante with rebelliousness.”⁴⁷⁷

In contrast, a court addressing the distinctiveness of the HEARTLAND ANIMAL CLINIC for veterinary services provided in Overland Park, Kansas, linked its analysis more closely to the nature of those services.⁴⁷⁸ Rejecting the defendant’s argument that the mark was merely geographically descriptive, the court concluded that:

The court finds that the plaintiff has demonstrated that the Heartland mark for veterinary services is a protectible suggestive mark. The ordinary consumer must make a mental leap of some size to associate the values associated with the term ‘heartland’ to the provision of veterinary services. The term is not used primarily as a geographic description, but is valued for its association with positive characteristics such as hard work, honesty, and—in particular—customary, homespun, “traditional values.”⁴⁷⁹

The court drew the referenced “positive characteristics” from evidence in the form of businesses across the country with “Heartland” in their names, the 50-state coverage of a television show entitled *America’s Heartland*, a Wikipedia entry crediting New Jersey native Bruce Springsteen with having founded the Heartland Rock genre, the George Strait song *Heartland*, and the results of an Internet survey associating the word “heartland” with those characteristics.⁴⁸⁰

Consideration of the relationship between the plaintiffs’ marks and their goods and services drove another finding of suggestiveness—this one in a dispute between the city of Carlsbad, California, and its public financing authority, on the one hand, and

475. *Id.* at 569 n.6.

476. *See id.* at 563.

477. *Id.* at 569.

478. *See* Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC, 861 F. Supp. 2d 1293 (D. Kan.), *aff’d*, No. 12-3084, 2012 WL 5935970 (10th Cir. Nov. 28, 2012).

479. *Id.* at 1300-01.

480. *See id.* at 1296-98.

an accused cybersquatter, on the other.⁴⁸¹ The marks in question were THE CROSSINGS AT CARLSBAD and TCAC, which the city used in connection with a public golf course and various golf-related goods and services. The court properly observed that “[t]he distinctiveness of a mark must be assessed not in the abstract, but in relation to the applicable goods or services, the context in which the mark is used and encountered in the marketplace, and the significance the mark in that context is likely to have to the average consumer.”⁴⁸² It then found that the plaintiffs’ marks “do not merely describe the products or services being offered by the City under those Marks; rather, the Marks are suggestive, as imagination is required in order to reach a conclusion that the ‘Crossings at Carlsbad’ and ‘TCAC’ reference the City’s golf course and golf-related goods and services.”⁴⁸³

Finally, in a rather more dubious examination of the relationship between a mark and the services provided under it, one Florida federal district court declined to find that the plaintiff’s MANGO’S mark for bar services qualified as an arbitrary one.⁴⁸⁴ This outcome may have resulted from what the court described as an “abbreviated record” on the plaintiff’s motion for a temporary restraining order.⁴⁸⁵ In any case, the court found that “[t]he term ‘Mango’s’ could reasonably connote a food and drinking establishment in South Florida, a geographic location with a warm climate in which mango trees are common and where mangoes are used in any number of recipes.”⁴⁸⁶

iv. Arbitrary Marks

“An ‘arbitrary . . .’ mark bears no logical relationship to the product it represents.”⁴⁸⁷ As usual, this doctrinal definition was easy enough to state, but actual findings of arbitrariness were few and far between. One such finding, however, came in a case brought to protect the marks THE GAP for retail clothing store services and GAP for clothing and other items.⁴⁸⁸ Because the marks were covered by incontestable registrations, the validity of which was apparently uncontested, the marks were “conclusively

481. See *City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087 (S.D. Cal. 2012).

482. *Id.* at 1105.

483. *Id.*

484. See *Mango’s Tropical Cafe, Inc. v. Mango Martini Rest. & Lounge, Inc.*, 844 F. Supp. 2d 1246 (S.D. Fla. 2011).

485. *Id.* at 1253.

486. *Id.*

487. *Knights Armament Co. v. Optical Sys. Tech., Inc.*, 654 F.3d 1179, 1188 (11th Cir. 2011).

488. See *Gap Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417 (S.D.N.Y. 2011).

presumed valid,”⁴⁸⁹ but that did not stop the court from placing the plaintiff’s trademarks on the spectrum of distinctiveness. With respect to them, it noted that “‘Gap,’ used as a trademark, is arbitrary when used to describe the goods that [the plaintiff] offers, namely, clothing, accessories, and personal care products.”⁴⁹⁰

The POLO word mark and a stylized mounted polo player were similarly found arbitrary, at least as used in connection with men’s fragrances.⁴⁹¹ It might be true, the court making the finding observed, that “[t]he word ‘polo’ may be generic, for example, with respect to polo shirts, or descriptive, with respect to aspects of the sport.”⁴⁹² Nevertheless, “[t]here is no natural connection between the image of a polo player and fragrance products. The same is true of the POLO word mark.”⁴⁹³ Therefore, “as a common word or symbol applied in an unfamiliar way, POLO and the Polo Player Logo qualify as arbitrary and therefore ‘will be automatically protected.’”⁴⁹⁴

v. Fanciful or Coined Marks

Fanciful and coined marks failed to receive much attention in reported opinions over the past year. To the extent that courts even bothered to define this category of marks, they did so primarily by treating them as indistinguishable from arbitrary marks. Thus, for example, the Eleventh Circuit explained that “[a]n arbitrary or fanciful mark bears no logical relationship to the product or service it is used to represent.”⁴⁹⁵ Other courts followed suit without actually finding the marks at issue to be either fanciful or coined.⁴⁹⁶ A standalone definition of fanciful marks as “those containing words or symbols coined for the express purpose of functioning as a trademark” proved a rare exception to this pattern.⁴⁹⁷ An apparent finding that the HOKTO mark and a

489. *Id.* at 1428.

490. *Id.*

491. *See* U.S. Polo Ass’n v. PRL USA Holdings, Inc., 800 F. Supp. 2d 515 (S.D.N.Y. 2011).

492. *Id.* at 525.

493. *Id.*

494. *Id.* (quoting Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 192 F.3d 337, 344 (2d Cir. 1999)).

495. Univ. of Ala. Bd. of Trustees v. New Life Art, Inc., 683 F.3d 1266, 1271 (11th Cir. 2012).

496. *See, e.g.,* Kinbook, LLC v. Microsoft Corp., 866 F. Supp. 2d 453, 465 (E.D. Pa. 2012); Fancaster, Inc. v. Comcast Corp., 832 F. Supp. 2d 380, 414 (D.N.J. 2011).

497. *See* Facebook, Inc. v. Teachbook.com LLC, 819 F. Supp. 2d 764, 776 (N.D. Ill. 2011).

series of stylized anthropomorphic mushrooms were fanciful when used in connection with mushrooms was another.⁴⁹⁸

(2) Distinctiveness of Nontraditional Marks

The standard for distinguishing between inherently distinctive and noninherently distinctive packaging continued to divide courts. Some courts applied the familiar spectrum-of-distinctiveness standard applicable to word marks to conclude that various packaging was merely descriptive of its contents. Thus, for example, one container depicting a nasal irrigation device with water flowing through it was found as a matter of law to be noninherently distinctive because the summary judgment record demonstrated that it “immediately conveys to a consumer one of the main ingredients required to use the device” and because “the demonstration of the water running through the [device] shows the product’s qualities: easy to use.”⁴⁹⁹ The appearance on the container of the counterclaim plaintiff’s descriptive SINU *CLEANSE* verbal mark only provided additional support for this conclusion.⁵⁰⁰

Much the same analysis resulted in a finding that the package of an Asian noodle product was descriptive and therefore required a showing of secondary meaning to be protectable.⁵⁰¹ The gravamen of the plaintiff’s claim to the contrary was that the packaging featured “a photograph of a bowl filled with rice sticks, topped by foodstuffs such as egg rolls, grilled meat, and assorted garnishes,” rather than the noodles actually sold in it.⁵⁰² The court acknowledged that “[i]t is true that the photograph on the package contains food other than what is found inside the package”⁵⁰³ Nevertheless, the packaging still was descriptive because the other food item shown on it was identified by its generic Vietnamese name and because the packaging featured “a see-through window through which any consumer can see its contents.”⁵⁰⁴

Another court similarly applied the word mark spectrum-of-distinctiveness standard to reach a finding of genericness in an action to protect the appearance of a round glass container “approximately 3.75 inches high and 2.5 inches wide” and used to

498. See *Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013, 1019 n.1, 1029 (C.D. Cal. 2011).

499. *Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262, 1280-81 (D. Colo. 2012).

500. See *id.* at 1280.

501. See *Kim Seng Co. v. J & A Imps., Inc.*, 810 F. Supp. 2d 1046 (C.D. Cal. 2011).

502. See *id.* at 1050, 1059.

503. *Id.* at 1060.

504. *Id.*

support votive candles.⁵⁰⁵ Granting the defendants' motion for summary judgment, the court noted that the plaintiff's evidence of nongenericness was limited to a showing that the USPTO had approved the plaintiff's application to register its mark. That evidence, the court held, was insufficient to create a dispute of fact on the issue: Not only was the court not bound by the USPTO's determination, the agency's finding was "not supported by substantial evidence and fail[ed] to consider or apply the relevant authority."⁵⁰⁶ Because "[t]he mark only answers the question 'what-are-you' not 'who are you,'" there were no disputed factual issues that warranted allowing the case to continue.⁵⁰⁷

In contrast, another court hearing a packaging trade dress claim identified the Court of Customs and Patent Appeals' test in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*⁵⁰⁸ as the "predominant means for evaluating the inherent distinctiveness of a trade dress."⁵⁰⁹ Nevertheless, rather than necessarily applying *Seabrook's* three factors—whether the claimed mark is a "common," or basic, shape, or design, whether it is unique or unusual in a particular field, and whether it is a mere refinement of a commonly adopted and well-known form of ornamentation for the associated good and services—the court summarized the relevant inquiry as "whether the alleged trade dress is so uniquely designed that a buyer will rely on it to differentiate the source of the product."⁵¹⁰ With the plaintiff failing to "cite [to] any evidence to support distinctiveness in its packaging," its claim of inherent distinctiveness was defective as a matter of law.⁵¹¹

Much the same methodology produced much the same result at the summary judgment stage of a battle between competing producers of tequila.⁵¹² In weighing the counterclaim plaintiffs' claim of inherent distinctiveness for the appearance of the trapezoidal bottle in which their tequila was sold, the court turned to the three *Seabrook* factors, which it characterized as "allow[ing] this Court to evaluate whether non-verbal symbols such as trade dress are inherently distinctive."⁵¹³ Rather than applying the factors seriatim, however, the court found as a matter of law that

505. *See* Glassybaby LLC v. Provide Gifts Inc., 102 U.S.P.Q.2d 1155 (W.D. Wash. 2011).

506. *Id.* at 1157.

507. *See id.* at 1157-58.

508. 568 F.2d 1342 (C.C.P.A. 1977).

509. *Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963, 987 (S.D. Cal. 2012).

510. *Id.* at 988.

511. *Id.*

512. *See* E & J Gallo v. Proximo Spirits, Inc., 103 U.S.P.Q.2d 1640 (E.D. Cal. 2012).

513. *Id.* at 1649.

“[t]o the extent that the [counterclaim] plaintiffs define their trade dress to be a trapezoidal-shaped bottle, this Court agrees with the [counterclaim] defendants that there is no inherent distinctiveness.”⁵¹⁴ For one thing, the court found, trapezoids were “the sort of intuitive, ordinary geometric shape[s]” that courts typically found to lack inherent distinctiveness.⁵¹⁵ For another, “it is an undisputed fact there are several tequila bottles in the market that use a trapezoidal shape”⁵¹⁶ Finally, although the counterclaim plaintiffs owned an incontestable registration covering a trapezoidal bottle, the bottle shown in the registration did not match that for which the counterclaim plaintiffs sought protection.⁵¹⁷

(3) Secondary Meaning Determinations

i. Cases Finding Secondary Meaning

The most visible finding of secondary meaning over the past year turned out to be a qualified one. In the closely followed appeal in *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*,⁵¹⁸ the Second Circuit addressed a claim of protectable rights to a nonincontestably registered mark, which the registration described as “a lacquered red sole on footwear” and used in connection with “women’s high fashion designer footwear.”⁵¹⁹ According to the court, “[f]actors that are relevant in determining secondary meaning include (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.”⁵²⁰ In affirming a finding of acquired distinctiveness, the court credited the plaintiffs’ “extensive evidence of [the lead plaintiff’s] advertising expenditures, media coverage, and sales success, demonstrating both that [the lead plaintiff] has created a symbol . . . and that the symbol has gained secondary meaning that causes it to be uniquely associated with the [plaintiffs’] brand.”⁵²¹ Nevertheless, it also concluded that:

514. *Id.* at 1651.

515. *Id.* (quoting *Mattel, Inc. v. MGA Entm’t, Inc.*, 782 F. Supp. 2d 911, 916 (C.D. Cal. 2010)).

516. *Id.*

517. *See id.*

518. 696 F.3d 206 (2d Cir. 2012).

519. *Quoted in* *Christian Louboutin S.A. v. Yves Saint Laurent Holding Am., Inc.*, 778 F. Supp. 2d 445, 449 (S.D.N.Y. 2011), *aff’d in part and rev’d in part*, 696 F.3d 206 (2d Cir. 2012).

520. *Christian Louboutin S.A.*, 696 F.3d at 226 (internal quotation marks omitted).

521. *Id.* (citations omitted) (internal quotation marks omitted).

[T]he record fails to demonstrate that the secondary meaning of the Red Sole Mark extends to uses in which the shoe *does not* contrast with the upper—in other words, when a red sole is used on a monochromatic red shoe. . . . [I]t is the *contrast* between the sole and the upper that causes the sole . . . to distinguish its creator.

. . . Of the hundreds of pictures of [the plaintiffs'] shoes submitted to the District Court, only *four* were monochrome red. And [the plaintiffs'] own consumer surveys show that when consumers were shown the [defendants'] monochrome red shoe, of those consumers who misidentified the pictured shoes as . . . made [by the plaintiffs], nearly every one cited the red *sole* of the shoe, rather than its general red color. We conclude, based upon the record before us, that [the lead plaintiff] has not established secondary meaning in an application of a red sole to a red shoe, but [instead] only where the red sole contrasts with the “upper” of the shoe. The use of red lacquer on the outside of a red shoe of the same color is not a use of the [plaintiffs'] Red Sole Mark.⁵²²

Having thus taken a restrictive view of the acquired distinctiveness attaching to the mark, the court ordered the USPTO to amend the lead plaintiff's registration to cover “a red lacquered outsole that contrasts with the color of the adjoining ‘upper.’”⁵²³

If the Second Circuit itself adopted a strict view of its secondary-meaning factors, a district court within that jurisdiction was more forgiving in preliminarily enjoining an imitation of the plaintiffs' PILLOW PETS mark for plush stuffed toys.⁵²⁴ The court avoided taking a position on precisely where on the spectrum of distinctiveness the plaintiffs' mark might lie, in substantial part because of evidence that “the mark is at least descriptive with secondary meaning.”⁵²⁵ In addition to their \$1 million monthly advertising budget, the plaintiffs established to the court's satisfaction that the product sold under the mark was:

- (1) a top selling toy during the recent holiday season; (2) gained recognition on Toys R Us 2010 Hot Holiday Toys List as well as on numerous other holiday gift list websites; (3) completely sold out at Toys R Us and at many major retailers,

522. *Id.* at 227-28 (citations omitted).

523. *Id.* at 228.

524. *See* CJ Prods. LLC v. Snuggly Plushies LLC, 809 F. Supp. 2d 127 (E.D.N.Y. 2011).

525. *Id.* at 153.

and; (4) was the most searched term on [the] Wal-Mart and “Toys R Us” website[s].⁵²⁶

Beyond these showings, the preliminary injunction record demonstrated that the product had “garnered significant media attention and accolades within the industry” and that the plaintiffs had “vigorously asserted their intellectual property rights in the face of substantial copying, sending out many warning letters and initiating litigation against eleven companies, among other anti-counterfeiting measures.”⁵²⁷

A nonincontestable registration received more respect in a different court’s evaluation of the secondary meaning attaching to the configuration of a pressure gauge lens cover.⁵²⁸ The case had been filed in a jurisdiction—the Seventh Circuit—in which such a registration typically shifts only the burden of production, rather than the burden of proof, to a party challenging the validity of the registered mark.⁵²⁹ The invocation of that rule generally precedes a finding that the registered mark is invalid, but that result did not hold in the court’s application of the Seventh Circuit’s secondary-meaning factors: “(1) direct consumer testimony and consumer surveys; (2) exclusivity, length and manner of use; (3) amount and manner of advertising; (4) amount of sales and number of customers; (5) established place in the market; and (6) proof of intentional copying.”⁵³⁰ The plaintiff submitted “minimal” direct evidence of acquired distinctiveness,⁵³¹ but it did make of record circumstantial evidence in the form of “evidence of advertising expenses, examples of the Plaintiff’s catalog advertising, sales information, and [its principal’s] sworn statement of his belief that anyone reasonably skilled in the pressure gauge market would recognize a pressure gauge [of the Plaintiff’s design] as coming from the Plaintiff.”⁵³²

On the parties’ cross-motions for summary judgment, however, it was less those showings than the defendants’ failure to come forward with their own evidence that carried the day for the plaintiff:

The Defendants have not presented any evidence of [their] own tending to show that the [registered] [m]ark] has not

526. *Id.*

527. *Id.*

528. *See* Dwyer Instruments Inc. v. Sensicon Inc., 103 U.S.P.Q.2d 1444 (N.D. Ind. 2012).

529. *See, e.g.,* Liquid Controls Corp. v. Liquid Control Corp., 802 F.2d 934, 938 (7th Cir. 1986) (“The presumption really serves only to shift the burden of production to the defendant.”).

530. *Dwyer Instruments*, 103 U.S.P.Q.2d at 1452.

531. *See id.* at 1453.

532. *Id.*

acquired distinctiveness, instead focusing on what [they] consider[] to be deficient submissions by the Plaintiff to the USPTO.

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The function of the presumption [of validity] is to incite evidence of invalidity. The Court finds that the Defendants' submissions do not present such evidence and are insufficient to overcome the presumption of distinctiveness that accompanies the registration of the [Plaintiff's] [m]ark]. Because there is no evidentiary conflict on the issue of the validity of the Plaintiff's trademark, the Court moves on to discuss whether the Plaintiff has established a likelihood of confusion as a matter of law.⁵³³

It was the Eleventh Circuit's test for secondary meaning that came into play in a bench trial producing a finding of secondary meaning in another case:

In determining whether a trademark has acquired secondary meaning, the Court considers: "(1) the length and manner of [the mark's] use, (2) the nature and extent of advertising and promotion, (3) the efforts made by the plaintiff to promote a conscious connection in the public's mind between the trademark and the plaintiff's business, and (4) the extent to which the public actually identifies the trademark with the plaintiff's goods and services." Further, the mark must have acquired secondary meaning before the Defendant adopted it.⁵³⁴

The mark in question was the color blue for tennis racket overgrips, and, although the mark was covered by a federal registration,⁵³⁵ the registration did not come into play in the court's analysis. What did matter was the plaintiff's use of the mark since 1977, as well as the plaintiff's investment of millions of dollars into advertisements featuring the mark. Beyond that, the court found, "[the plaintiff] has advertised [the overgrip associated with the mark] as 'the blue Tourna Grip,' 'The original blue super absorbent non-slip grip,' 'the original blue grip,' 'Blue Tape,' the original light blue grip,' and the 'light blue grip that does not slip.'"⁵³⁶ The plaintiff also benefited from the public endorsements of "[n]umerous professional tennis players . . . , including Pete

533. *Id.* at 1453-54 (citation omitted).

534. *Unique Sports Prods. Inc. v. Ferrari Imp. Co.*, 100 U.S.P.Q.2d 1948, 1951 (N.D. Ga. 2011) (quoting *Unique Sports Prods., Inc. v. Babolat VS*, 403 F. Supp. 2d 1229, 1237 (N.D. Ga. 2005)).

535. *See id.* at 1949-50.

536. *Id.* at 1951.

Sampras, Andre Agassi, James Blake, Venus Williams, Maria Sharapova, and the Bryan Brothers.”⁵³⁷ Although the defendant “introduced [third-party] catalogues offering grip tape in various shades of blue, many of these grip tapes were not confusingly similar to [the plaintiff’s mark]. Further, the Defendant produced no evidence regarding the number of [third-party] LIGHT BLUE grips sold.”⁵³⁸ Because this showing of third-party use therefore did not create a factual dispute over whether the plaintiff’s use of its mark had been substantially exclusive, the court found that the mark had acquired distinctiveness.⁵³⁹

ii. Cases Declining to Find Secondary Meaning

Perhaps the most notable determination of no secondary meaning came courtesy of the Eleventh Circuit, which declined to set aside a bench finding that the counterclaim plaintiff’s descriptive mark had not acquired distinctiveness in time for the counterclaim plaintiff to challenge the counterclaim defendant’s use of the same mark.⁵⁴⁰ The appellate court’s articulation of the test for secondary meaning was consistent with that of other courts over the past year:

Four factors to determine whether a descriptive mark has acquired secondary meaning are: (1) the length and manner of its use; (2) the nature of advertising and promotion [featuring the mark]; (3) the efforts made by the user of the mark to promote a conscious connection in the public’s mind between the [mark] and the user’s product or business; or (4) the extent to which the public actually identifies the [mark] with the user’s product or venture. The party seeking trademark protection must demonstrate that its mark acquired secondary meaning *before* the alleged infringer first began using the mark.⁵⁴¹

The key to the court’s holding was this last point—the timing of the secondary meaning inquiry. Both parties had participated in the development and marketing of the goods sold under the mark in question, and, prior to the counterclaim defendant’s 2003 date of first use, “there was no indication that the . . . mark belonged to [the counterclaim plaintiff], and not [the counterclaim defendant]

537. *Id.*

538. *Id.*

539. *See id.*

540. *See* Knights Armament Co. v. Optical Sys. Tech., Inc., 654 F.3d 1179 (11th Cir. 2011).

541. *Id.* at 1189 (citation omitted) (internal quotation marks omitted).

...”⁵⁴² As a consequence, “consumers had no reason to associate [the counterclaim plaintiff’s] mark with its product, and not [the counterclaim defendant]. Therefore, . . . it was impossible for the mark to have acquired secondary meaning prior to [the counterclaim defendant’s] first use of the mark in 2003.”⁵⁴³

The timing of the secondary meaning inquiry similarly played a role in another court’s finding on a preliminary injunction motion that the IMPORTED FROM DETROIT mark for automobiles and clothing had not acquired secondary meaning.⁵⁴⁴ The mark’s claimed owner was the auto manufacturer Chrysler, which first used the mark in a two-minute commercial aired during the Super Bowl. The commercial was seen by “over 94 million viewers,”⁵⁴⁵ and traffic on Chrysler’s website, on which it soon began to sell shirts bearing the mark, increased “from fewer than 500 hits per second to 13,244 hits per second.”⁵⁴⁶ Chrysler supported the campaign featuring the mark with a promotional spend of “over fifty million dollars.”⁵⁴⁷

These showings were not enough under the court’s application of the Sixth Circuit’s test for acquired distinctiveness:

To determine secondary meaning, the court looks at seven factors: 1) direct consumer testimony; 2) consumer surveys; 3) exclusivity, length, and manner of use; 4) amount and manner of advertising; 5) amount of sales and number of customers; 6) established place in the market; and 7) proof of intentional copying.⁵⁴⁸

A critical consideration under the third factor was that “Defendants began making t-shirts the day after the commercial aired and prior to [Chrysler] making shirts. [Chrysler] would essentially have to show that [the mark] acquired secondary meaning overnight. . . . As a matter of law, secondary meaning cannot be established instantaneously, as [Chrysler] suggests.”⁵⁴⁹ In light of the absence of direct consumer testimony and survey evidence of distinctiveness, Chrysler’s showings of advertising expenditures, sales, and intentional copying by the defendants fell by the wayside.⁵⁵⁰

542. *Id.*

543. *Id.*

544. *See* Chrysler Grp. v. Moda Grp., 796 F. Supp. 2d 866 (E.D. Mich. 2011).

545. *Id.* at 874.

546. *Id.* at 870.

547. *Id.* at 874.

548. *Id.* at 873.

549. *Id.* at 874.

550. *See id.* at 873-75.

An application of the Second Circuit's acquired-distinctiveness factors led to a finding on a motion for a preliminary injunction that the claimed GROUT SHIELD mark did not have secondary meaning for various grout-related products.⁵⁵¹ The plaintiff proffered a log of its advertising expenditures prior to the defendant's date of first use, but the log failed to distinguish between expenditures associated with the mark in question and those associated with other marks. Likewise, although the plaintiff adduced alleged evidence of unsolicited media coverage, the court concluded that "only three out of the five media articles relied upon by plaintiff actually discussed his products"; "[f]urthermore, two out of those three were very recent."⁵⁵² The plaintiff also had failed to conduct a survey, and its claims of actual confusion and that the defendant had deliberately plagiarized its mark were unconvincing. The plaintiff's showing of secondary meaning therefore was insufficient to support its request for preliminary injunctive relief.⁵⁵³

Even though, as these outcomes suggest, a plaintiff failing to conduct a distinctiveness survey can disadvantage itself, at least some courts will allow the results of confusion surveys to prove secondary meaning.⁵⁵⁴ Nevertheless, the apparently exclusive reliance on survey evidence of confusion failed to preclude the grant of a defense motion for summary judgment in an action between competing purveyors of uncooked rice noodles.⁵⁵⁵ In support of its claim of likely confusion, the plaintiff commissioned a survey, the results of which were that 45 percent of respondents expressed confusion between the parties' packages; either 80 percent or 89 percent of those respondents then identified packaging elements claimed by the plaintiff as its trade dress as the source of their confusion.⁵⁵⁶ Although the defendants did not attack the survey's methodology for purposes of the likelihood-of-confusion inquiry, they argued that its results were relevant only to that inquiry. The court agreed, holding that summary judgment of nonliability was proper because "there is no evidence proffered to enable the Court to find a triable issue of fact as to whether the [plaintiff's] package has acquired a secondary meaning."⁵⁵⁷

551. See *Grout Shield Distribs., LLC v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389 (E.D.N.Y. 2011).

552. *Id.* at 412.

553. See *id.* at 412-13.

554. See, e.g., *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 82 (3d Cir. 1982); see also *Brunswick Corp. v. Spinit Reel Co.*, 225 U.S.P.Q. 62, 64 (N.D. Okla. 1984).

555. See *Kim Seng Co. v. J & A Imps., Inc.*, 810 F. Supp. 2d 1046 (C.D. Cal. 2011).

556. See *id.* at 1059.

557. *Id.* at 1060.

These holdings notwithstanding, the court displaying the greatest hostility toward claims of secondary meaning in word marks over the past year was a panel of the Court of Appeals of Texas.⁵⁵⁸ A jury verdict appealed to that court found that the counterclaim plaintiffs had established secondary meaning in two marks, BUENOS DIAS EL SALVADOR for a radio show and FESTIVAL GUANACO for a festival with an El Salvadoran theme. The counterclaim plaintiffs did not introduce direct evidence of acquired distinctiveness, but, as the court noted, “[e]vidence such as amount and manner of advertising, volume of sales, and length and manner of use may constitute circumstantial evidence relevant to the issue of secondary meaning.”⁵⁵⁹

Unfortunately, even with all inferences drawn in the counterclaim plaintiffs’ favor, the court held that there was insufficient circumstantial evidence of secondary meaning to support the jury’s verdict. With respect to the first mark at issue, the court concluded from the counterclaim plaintiffs’ showing at trial that:

Hosting a one or two-hour radio show under the name “Buenos Dias, El Salvador” once a week for 23 months, and then a daily three-hour show for three months, may qualify as evidence of length of use; it does not qualify as extensive use . . . so as to support secondary meaning.⁵⁶⁰

Beyond this, the court faulted the counterclaim plaintiffs for not having documented the number of their actual or potential listeners in the relevant market and for coming forward with limited evidence on the extent of both their own advertising and any advertising revenues the show might have generated.⁵⁶¹ Finally, in a holding arguably inconsistent with the Lanham Act’s treatment of the issue,⁵⁶² the court determined that the lead counterclaim defendant’s failure to emphasize his personal role in the show left the jury’s verdict without evidentiary support.⁵⁶³

The court’s holding with respect to the counterclaim plaintiffs’ second mark was more in keeping with a clearly erroneous standard of review. Although it might be true that the lead counterclaim plaintiff had organized a festival with a Salvadoran theme under the FESTIVAL GUANACO mark, the festival had

558. See *Funes v. Villatoro*, 352 S.W.3d 200 (Tex. Ct. App. 2011).

559. *Id.* at 210 (quoting *Zapata Corp. v. Zapata Trading Int’l, Inc.*, 841 S.W.2d 45, 48 (Tex. Ct. App. 1992)).

560. *Id.* at 210.

561. See *id.* at 210-11.

562. Under Section 45 of the Act, 15 U.S.C. § 1127 (2012), a finding of distinctiveness can lie “even if [the] source [of the associated goods or services] is unknown.”

563. See *Funes*, 352 S.W.3d at 211.

taken place only once and had drawn a sparse 750 attendees. The counterclaim plaintiffs introduced a single print advertisement promoting the festival, but, apart from testimony that the counterclaim plaintiffs had touted the festival on their radio show for approximately one month prior to it taking place, the record was bare of evidence of acquired distinctiveness. Once again, therefore, the court held that “viewing the evidence in the light most favorable to the verdict, we cannot conclude that there is legally sufficient evidence that the designation acquired a secondary meaning or special significance to support the jury’s finding that the name ‘Festival Guanaco’ is the [counterclaim plaintiffs’] trade name.”⁵⁶⁴

As usual, claims of secondary meaning in claimed nontraditional marks fared poorly.⁵⁶⁵ Although the intentional copying of a mark can be evidence of secondary meaning, that rule may carry reduced force where product configurations are concerned. One opinion explained why en route to a holding that the configuration of a ski mask lacked acquired distinctiveness as a matter of law:

Evidence of deliberate copying does not always support an inference of secondary meaning because “[c]ompetitors may intentionally copy product features for a variety of reasons. Competitors may, for example, choose to copy wholly functional features that they perceive as lacking any secondary meaning because of those features’ intrinsic economic benefits.”⁵⁶⁶

The summary judgment record supported the defendant for the additional reasons that survey evidence of secondary meaning was “[s]ignificantly lacking,” as was any direct testimony from consumers.⁵⁶⁷

Finally, one opinion demonstrated the difficulty in proving secondary meaning for an evolving noninherently distinctive trade dress.⁵⁶⁸ The trade dress at issue was the package for a nasal irrigation product, the appearance of which, the court found, had “changed consistently beginning in 2007.”⁵⁶⁹ The counterclaim

564. *Id.* at 213.

565. *See, e.g.*, *E & J Gallo v. Proximo Spirits Inc.*, 103 U.S.P.Q.2d 1640, 1652 (E.D. Cal. 2012) (granting counterclaim defendants’ motion for summary judgment in light of counterclaim plaintiffs’ failure to contest issue).

566. *Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963, 985 (S.D. Cal. 2012) (alteration in original) (citation omitted) (quoting *Fuddrucker, Inc. v. Doc’s B.R. Others, Inc.*, 826 F.2d 837, 844-56 (9th Cir. 1987)).

567. *Id.*

568. *See Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262 (D. Colo. 2012).

569. *Id.* at 1281.

plaintiff submitted at least some evidence of secondary meaning in the form of its advertising spend, examples of its advertising, and “a feature on the Oprah Winfrey Show,”⁵⁷⁰ but those considerations were not accorded the same weight as they might be in another case. Specifically, “[a] consumer viewing the [counterclaim plaintiff’s] [word] mark . . . can recognize that mark regardless of the trade dress, but a consumer witnessing constant changes to [the] trade dress will not necessarily associate any single trade dress with the product.”⁵⁷¹

(4) Survey Evidence of Distinctiveness

One set of consumer surveys helped a defendant to overcome the prima facie evidence of mark validity attaching to its adversary’s (nonincontestably) registered marks.⁵⁷² The claimed marks were “gadget” and “website gadget” for downloadable software applications. The results of a survey measuring the distinctiveness of “gadget,” which targeted “an equal ratio of individuals exclusively in the web-design business and individuals not exclusively in the web-design business,”⁵⁷³ were rather unfavorable to the plaintiff:

In administering [the defendant’s expert’s] survey, as to genericness, one hundred participants were asked whether the term ‘Gadget’ was a brand name or generic name for a software mini-application. Three percent (3%) of those surveyed believed gadget to be a brand name, compared to 89% who believed it to be a common, generic name and 8% who answered both or were uncertain. As noted by [the defendant], Gadget’s brand identification score is much lower than other marks that have been deemed generic based on survey results.⁵⁷⁴

Although not necessarily dispositive evidence of the lack of distinctiveness of the plaintiff’s claimed marks, these results nevertheless helped lead to a grant of the defendant’s motion for summary judgment.⁵⁷⁵

In contrast, a different survey, this one commissioned by a plaintiff, helped to establish the inherent distinctiveness of the

570. *Id.*

571. *Id.* at 1282.

572. *See Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846 (W.D. La. 2011).

573. *See id.* at 860 n.7.

574. *Id.* at 860.

575. *See id.*

HEARTLAND ANIMAL CLINIC mark for veterinary services.⁵⁷⁶ The survey consisted of five questions administered online to 600 respondents. One question measured respondents' reactions to the statement "[w]hen people refer to 'The Heartland', they are referring to more than a geographic region," which yielded a 40 percent "strongly agree" response rate and a 37 percent "somewhat agree" response rate.⁵⁷⁷ Another question asked what a company using "heartland" as part of its name would be trying to communicate, giving respondents a choice between "traditional values," "dependability," "location," "honesty," "hard working," "variety of services," and "size"; "location" came in third, with only 11 percent of respondents choosing it.⁵⁷⁸ Finally, one open-ended question asked what "heartland" meant to respondents, which produced 110 mentions of "values," 101 mentions of "hard-working," and 89 mentions of "honest."⁵⁷⁹ The court rejected the defendants' argument that these results should be excluded because the survey failed to mention the actual mark sought to be protected,⁵⁸⁰ and it ultimately found that "the survey provides substantial support for concluding that the term 'Heartland' is generally understood to be less of a geographic term, and more of a term associated with certain positive values such as hard work."⁵⁸¹

c. Proving Nonfunctionality

(1) Utilitarian Nonfunctionality

The most significant opinion of the year bearing on utilitarian functionality came from the Fourth Circuit in litigation between Rosetta Stone and Google over the latter's AdWords program, pursuant to which marks can be "bought" as triggers for paid advertising appearing alongside the "organic" results returned by

576. See *Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC*, 861 F. Supp. 2d 1293 (D. Kan.), *aff'd*, No. 12-3084, 2012 WL 5935970 (10th Cir. Nov. 28, 2012).

577. *Quoted in id.* at 1297.

578. *See id.*

579. *See id.*

580. On this issue, the court held that:

The court finds that the plaintiff's survey is not automatically irrelevant simply because it did not ask about "Heartland Animal Clinic." The defendant correctly notes that a claimed trademark "should be considered in its entirety," but this hardly means that evidence such as that offered by the plaintiff is automatically inadmissible simply because it does not directly address the ultimate question of law before the court. The court finds that the survey was conducted according to standard practice within the marketing industry, appears to be generally reliable, and was properly submitted as evidence.

Id. (quoting *Estate of P.D. Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 546 (1920)).

581. *Id.* at 1299.

searches for those marks.⁵⁸² In Rosetta Stone’s challenge to this program, the district court not only found that the functionality doctrine protected Google’s use of marks in this manner, it did so as a matter of law.⁵⁸³ According to that court: (1) “[t]he keywords . . . have an essential indexing function because they enable Google to readily identify in its databases relevant information in response to a web user’s query”;⁵⁸⁴ (2) “advertisers rely on the keywords to place their products and services before interested consumers”;⁵⁸⁵ (3) “the keywords affect the cost and quality of Google’s AdWords Program because absent third party advertisers’ ability to bid on trademarked terms as keyword triggers, Google would be required to create an alternative system for displaying paid advertisements on its website—a system which is potentially more costly and less effective in generating relevant advertisements”;⁵⁸⁶ (4) “the keywords also serve an advertising function that benefits consumers who expend the time and energy to locate particular information, goods, or services, and to compare prices”;⁵⁸⁷ and (5) “[i]f Google is deprived of this use of the [plaintiff’s marks], consumers would lose the ability to rapidly locate potentially relevant websites that promote genuine . . . products at competitive prices.”⁵⁸⁸ In the final analysis, “because . . . Google’s particular use of trademarked keywords as triggers for paid advertisements is functional, and no prohibition exists otherwise, the Court holds that the functionality doctrine prevents a finding of infringement.”⁵⁸⁹

On appeal, the Fourth Circuit rejected the district court’s conception of functionality, which focused on the nature of Google’s use, rather than a more conventional threshold inquiry into whether Rosetta Stone’s marks were functional and therefore unprotectable.⁵⁹⁰ Although technically only vacating the district

582. See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

583. See *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010), *aff’d in part and vacated in part*, 676 F.3d 144 (4th Cir. 2012).

584. *Id.* at 546.

585. *Id.*

586. *Id.*

587. *Id.*

588. *Id.*

589. *Id.*

590. In particular, courts finding particular marks or trade dresses functional do not typically hold them valid, but then deny relief on the ground of functionality: On the contrary, because a claimed mark cannot be a mark in the first instance if it is functional, see *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) (“It is . . . clear that eligibility for protection . . . depends on nonfunctionality.”), nonfunctionality is a prerequisite for mark validity, rather than a “defense” against charges of infringement of a mark that has been adjudicated valid. See *generally* *Wilhelm Pudenz, GmbH v. Littlefuse, Inc.*, 177 F.3d 1204, 1205 (11th Cir. 1999) (“[R]egistered trademarks that have become

court's entry of summary judgment on this point, the language chosen by the Fourth Circuit was more in the nature of an outright reversal and merits reproduction at length:

The district court did not conclude, nor could it, that Rosetta Stone's marks were functional product features or that Rosetta Stone's own use of this phrase was somehow functional. Instead, the district court concluded that trademarked keywords—be it ROSETTA STONE or any other mark—are “functional” when entered into Google's AdWords program

The functionality doctrine simply does not apply in these circumstances. The functionality analysis below was focused on whether Rosetta Stone's mark made Google's product more useful, neglecting to consider whether the mark was functional as Rosetta Stone used it. Rosetta Stone uses its registered mark as a classic source identifier in connection with its language learning products. Clearly, there is nothing functional about Rosetta Stone's own mark; use of the words “Rosetta Stone” is not essential for the functioning of its . . . products, which should operate no differently than if Rosetta Stone had branded its product “SPHINX” instead of ROSETTA STONE. Once it is determined that the product feature—the word mark ROSETTA STONE in this case—is not functional, then the functionality doctrine has no application, and it is

incontestable . . . may still be declared invalid if they are found to protect the functional features of a product”); *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 145 n.5 (2d Cir. 1997) (“To be a valid trademark, a mark must not only be source-denoting, but it must also be nonfunctional.”); *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 874 (8th Cir. 1994) (“The trade dress at issue here is invalid . . . [because] it is functional.”); *In re Pollak Steel Co.*, 314 F.2d 566, 567 (C.C.P.A. 1963) (“[N]othing which the public has or would have a right to copy, in the absence of valid patent or copyright protection, can be the subject of a valid trademark registration.”); *Sylvania Elec. Prods., Inc. v. Dura Elec. Lamp Co.*, 247 F.2d 730, 733 (3d Cir. 1957) (“The registration of the [plaintiff's claimed] symbol as a trade-mark was invalid because of its functional feature”). Thus, “the functionality doctrine polices the division of responsibilities between patent and trademark law by *invalidating* marks on useful designs.” *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 857 (7th Cir. 2010) (emphasis added).

Indeed, even the Lanham Act itself codifies this approach. Specifically, an incontestable registration is “conclusive evidence of the validity of the registered mark” under Section 33(b), 15 U.S.C. § 1115(b) (2012), but Section 33(b)(8) provides that this conclusive evidence is subject to the affirmative defense “[t]hat the mark is functional.” *Id.* § 1115(b)(8). That this reference to “the mark” in Section 33(b)(8) refers to the registered mark, and not to the defendant's use, is apparent from the contrasting text of other affirmative defenses recognized by Section 33(b), which turn on the nature of the mark whose use is “charged as an infringement.” *See id.* § 1115(b)(4)-(6). A rule that allows defendants through their own unilateral conduct to establish the functionality—and presumably the invalidity in toto—of their opponents' marks stands in stark contradiction to these well-settled principles.

irrelevant whether Google's computer program functions better by use of Rosetta Stone's nonfunctional mark.⁵⁹¹

The appellate court therefore adopted a view of the functionality doctrine more consistent with the doctrine's historical roots.

Opinions addressing claims of nonfunctional trade dress consisting of product designs or configurations more often than not applied the so-called *Morton-Norwich* factors, which take into consideration: (1) the disclosure of a related utility patent, or in some jurisdictions, whether the design has utilitarian advantages; (2) advertising materials touting the design's functional advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.⁵⁹² The leading example of this methodology over the past year came in a Ninth Circuit opinion affirming the grant of a defense motion for summary judgment in an action seeking to protect the configuration of an industrial traction hoist.⁵⁹³ As characterized by the court, the plaintiff's claim of nonfunctionality leaned heavily on the proposition that its design was nonfunctional if the design could be distinguished from those of other industry participants.⁵⁹⁴ The court held this argument to be a "fallacy":

[The plaintiff's] hoist has an external appearance, as every object must; but there is no evidence that anything about the appearance exists for any nonfunctional purpose. Rather, every part is de jure functional. . . . Except for conclusory, self-serving statements, [the plaintiff] provides no evidence of fanciful design or arbitrariness; instead, here "the whole is nothing more than the assemblage of functional parts, and where even the arrangement of and combination of the parts is designed to result in superior performance, it is semantic trickery to say that there is still some sort of separate 'overall appearance' which is nonfunctional."⁵⁹⁵

The court was equally unsympathetic to the plaintiff's argument that its putative ownership of a design patent bearing on the design at issue was sufficient to create a factual dispute as to the design's nonfunctionality: Not only were there questions as to the scope of the patent and the plaintiff's ownership of it, the court held, "a design patent, without more, is insufficient to prove that a

591. *Rosetta Stone*, 676 F.3d at 161 (alteration in original) (citation omitted).

592. See *In re Morton-Norwich Prods.*, 671 F.2d 1332, 1341 (C.C.P.A. 1982).

593. See *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677 (9th Cir. 2012).

594. See *id.* at 684.

595. *Id.* (quoting *Leatherman Tool Grp. v. Cooper Indus.*, 199 F.3d 1009, 1013 (9th Cir. 1999)).

design is nonfunctional.”⁵⁹⁶ Particularly in light of record testimony from the plaintiff’s own engineering witness of the utilitarian nature of the design and of advertising by the plaintiff touting the design’s advantages,⁵⁹⁷ the district court’s finding of functionality as a matter of law had been appropriate.⁵⁹⁸

A Ninth Circuit district court applied both the doctrine of its reviewing court and the Supreme Court’s decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*⁵⁹⁹ in concluding on a defense motion for summary judgment that the configuration of a ski mask was functional and therefore ineligible for trade dress protection.⁶⁰⁰ Like the plaintiff in *TrafFix*, the ski mask’s producer was the former owner of two expired utility patents, the disclosure of which the court found bore on features of the plaintiff’s claimed trade dress. The court concluded that the patents “present strong evidence that the features of these products are functional,”⁶⁰¹ as well as that the claimed features “do not distinguish the look of the products, but rather permit the user to breathe and see while wearing the product.”⁶⁰² Advertising by the plaintiff touting the utilitarian functionality of its design did not help its case, and this was also true of its inability to identify competitively viable alternative configurations.⁶⁰³

The plaintiff’s attempt to protect the packaging of its ski mask fared no better. Although the court did not describe that claimed trade dress in any detail, the plaintiff’s discovery responses apparently defined it as the fact that the ski mask, “when packaged, is mounted in or appears in profile.”⁶⁰⁴ In support of its motion for summary judgment as to the packaging, the defendant was able to rely upon deposition testimony from the plaintiff’s president in a prior case that the display of the ski mask assisted consumers in viewing it; of equal significance, the same witness

596. *Id.* at 685.

597. *See id.* at 686.

598. *See id.* at 687.

599. 532 U.S. 23 (2001).

600. *See Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963 (S.D. Cal. 2012).

601. *Id.* at 983.

602. *Id.*

603. *See id.* With respect to the second of these points, the court explained that:

Despite [the plaintiff’s] attempt to point to alternative designs, [it] has failed to produce evidence to support the non-functionality of the products’ design. Further, these particular designs result from a comparatively simple method of manufacture because the features are based on a desire to protect the contours of a person’s face from the elements while permitting the user to see and breathe.

Id.

604. *Quoted in id.* at 986.

was unable to identify any alternative packages allowing consumers to view their contents. The record therefore demonstrated that “[the plaintiff’s] packaging serves a utilitarian advantage because it permits the purchaser to view the product.”⁶⁰⁵

The same principle helped lead to a finding that the configuration of a shipping and storage container constructed in part of wire mesh and intended for use by the United States military was functional as a matter of law.⁶⁰⁶ According to the court, “[t]he wire mesh securely holds items in the storage containers while simultaneously allowing government employees to inspect the contents of the container. This is not unlike transparent plastic packaging used to wrap consumer goods.”⁶⁰⁷ Moreover, and beyond the visibility point, there were numerous other functional components of the plaintiff’s containers:

It is a well-known and commonly understood fact that steel is galvanized to resist corrosion. This method of protecting steel is cheap, effective, and so widely-used in metal fabrication that it strains credulity to suggest that the galvanized steel frames of Plaintiff’s products are anything but functional. The panels are nothing more than a rectangular frame with wire mesh. They are simple. Their shape and components are driven by the use of Plaintiff’s products—which requires separate containers to be stacked and assembled in a rectangular shape so that the combined unit completely fills a common shipping container or fits within a military vehicle. The manner in which the panels attach to the frame is likewise simple and utilitarian. It does not serve a source-identifying function. The dimensions of the frame are driven by the requirements of the military, such requirements being set forth precisely in the solicitations, and (as discussed above) the need for these products to stack and completely fill a shipping container.⁶⁰⁸

Summary judgment, therefore, was appropriate on the ground that “Plaintiff offers no competent evidence that any of these characteristics serve a source-identifying function, or that the sum of these parts combine to become source-identifying.”⁶⁰⁹

Despite these holdings, sworn averments in the pursuit of utility patents were not universally fatal, and, indeed, the plaintiff in one action managed to distinguish statements in the file-

605. *Id.*

606. *See* *Mobile Shelter Sys. USA, Inc. v. Grate Pallet Solutions, LLC*, 845 F. Supp. 2d 1241, 1257 M.D. Fla. 2012).

607. *Id.* at 1257.

608. *Id.* at 1257-58.

609. *Id.* at 1258.

wrapper history of an abandoned utility patent application bearing on the product design it sought to protect as trade dress.⁶¹⁰ The statements in question had been made by the plaintiff's licensor, and the court concluded that "the [patent] [a]pplication and the prosecution history are replete with admissions by [the plaintiff] (or its exclusive licensor) that the shape has functional benefits, facts that are clearly relevant to this inquiry."⁶¹¹ Although the defendant was additionally able to adduce evidence and testimony of advertising touting the utilitarian advantages of the design in question, as well as of the possible need by competitors to use it, the court found that the plaintiff's response to the defendant's motion for summary judgment created a factual dispute on the issue of functionality. That response included showings that: (1) alternative designs were available; (2) the plaintiff's claimed design "was more expensive on a per-unit basis" than at least some alternative designs; and (3) certain features of the design had been driven by aesthetic considerations.⁶¹² Based on the summary judgment record, the court therefore held that "we cannot conclude that no reasonable jury would find the design at issue nonfunctional."⁶¹³

Of course, proving utilitarian nonfunctionality of a product configuration can be dramatically easier if the plaintiff has secured a federal trademark registration covering its design and also has resisted the temptation to pursue a utility patent. In a dispute featuring just such considerations, a Seventh Circuit district court applied the rule in that jurisdiction that a nonincontestable registration covering a lens cover for pressure gauges merely shifted the burden of production (not proof) on the issue of mark validity to the defendants.⁶¹⁴ Even with this reduced obligation, the defendants failed to get the job done when responding to the plaintiff's motion for summary judgment. Rather, the record demonstrated that:

[T]he Defendants have not presented strong evidence that the [Plaintiff's design] is essential to the use or purpose of the gauges or that it affects the cost or quality of the gauges. . . . The Defendants have not designated any facts showing that the design resulted in a comparatively simple or cheap method of manufacturing the gauges or otherwise impacted [their] quality or cost. There is no evidence that the Plaintiff's gauges

610. *See Telebrands Corp. v. Del Labs.*, 814 F. Supp. 2d 286 (S.D.N.Y. 2011).

611. *Id.* at 297.

612. *See id.* at 298.

613. *Id.*

614. *See Dwyer Instruments Inc. v. Sensacon Inc.*, 103 U.S.P.Q.2d 1444 (N.D. Ind. 2012).

look the way they do to be better gauges, rather than to be a better way of identifying that the Plaintiff made them.⁶¹⁵

Particularly in light of the defendants' failure to place into dispute the plaintiff's showing that "there was no lack of alternative designs and [that] the Defendants did not need to use the particular design . . . to manufacture a competitive product . . .," the plaintiff's design was nonfunctional as a matter of law.⁶¹⁶

Finally, one opinion addressing a claim of trade dress protection in a restaurant menu drove home the importance of distinguishing between utilitarian and aesthetic functionality.⁶¹⁷ The court was clearly skeptical of the plaintiff's ability to claim protectable rights in the menu's appearance and contents, but, as it noted, a motion for summary judgment filed by the defendants focused on whether those elements of the menu were necessary to the use or purpose of the menu and whether they affected its cost or quality. With the defendants having failed to brief the issue of aesthetic functionality, the court denied their motion on the ground that "both the fanciful names that both sides adopted for [their] dishes, as well as the descriptions of those items—which are strikingly similar if not identical in both sides' menus—cannot fairly be described as functional."⁶¹⁸

(2) Aesthetic Nonfunctionality

The past year produced two potentially significant opinions addressing claims of aesthetic functionality by defendants, the first of which came from the Sixth Circuit.⁶¹⁹ That court was faced with an incontestably registered mark consisting of a red dripping wax seal used in connection with bourbon whiskey. Reviewing the district court's finding of nonfunctionality, the court of appeals expressly declined to recognize aesthetic functionality or to adopt a test for it. Rather, it held, the district court's finding of nonfunctionality was not clearly erroneous under either of the two tests for functionality previously recognized under Sixth Circuit law:

The test for comparable alternatives asks whether trade-dress protection of certain features would nevertheless leave a variety of comparable alternative features that competitors may use to compete in the market. If such alternatives do not exist, the feature is functional; but if such alternatives do

615. *Id.* at 1450-51 (internal quotation marks omitted) (citation omitted).

616. *Id.* at 1451.

617. *See* BLT Rest. Grp. v. Tourondel, 855 F. Supp. 2d 4 (S.D.N.Y. 2012).

618. *Id.* at 32.

619. *See* Maker's Mark Distillery, Inc. v. Diageo N. Am., 679 F.3d 410 (6th Cir. 2012).

exist, then the feature is not functional. . . . The effective competition test asks . . . whether trade dress protection for a product's feature would hinder the ability of another manufacturer to compete effectively in the market for the product. If such hindrance is probable, then the feature is functional and unsuitable for protection. If the feature is not a likely impediment to market competition, then the feature is nonfunctional and may receive trademark protection.⁶²⁰

As to the first of these tests, the court held, “[t]here is more than one way to seal a bottle with wax to make it look appealing, and so [the defendants] fail[] the comparable alternatives test.”⁶²¹ And, as to the second, the district court's finding that “red wax is not the only pleasing color of wax . . . nor does it put competitors at a significant non-reputation related disadvantage to be prevented from using red dripping wax” withstood appellate scrutiny.⁶²²

Although the Sixth Circuit may have declined to pass judgment on the viability of aesthetic functionality as a doctrine, the Second Circuit took a restrictive view of it in *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*⁶²³ The mark at issue in that litigation was “a lacquered red sole on footwear” and had been registered by the lead plaintiff on the Principal Register for “women's high fashion designer footwear.” When the lead plaintiff and its affiliates discovered the sale by the defendants of shoes “bear[ing] a bright red outsole as part of a monochromatic design in which the shoe is entirely red,”⁶²⁴ they filed suit and moved the district court for a preliminary injunction.

The district court declined to enter interlocutory relief, holding instead that “[b]ecause in the fashion industry color serves ornamental and aesthetic functions vital to robust competition, the Court finds that [the lead plaintiff] is unlikely to be able to prove that its red outsole brand is entitled to trademark protection, even if it has gained . . . secondary meaning.”⁶²⁵ Citing *Qualitex Co. v. Jacobson Products Co.*,⁶²⁶ the district court acknowledged as an initial matter that individual colors could “sometimes” qualify as protectable marks, but its view of the contexts in which this could occur was a narrow one:

620. *Id.* at 418 (alterations in original) (quoting *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 641 n.16, 624 (6th Cir. 2002)).

621. *Id.*

622. *Quoted in id.* at 419 (alteration in original).

623. 696 F.3d 206 (2d Cir. 2012).

624. *See* *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 778 F. Supp. 2d 445, 449 (S.D.N.Y. 2011), *aff'd in part and rev'd in part*, 696 F.3d 206 (2d Cir. 2012).

625. *Id.*

626. 514 U.S. 159 (1995).

[C]ourts have approved the use of a single color as a trademark for industrial products. In some industrial markets the design, shape, and general composition of the goods are relatively uniform, so as to conform to industry-wide standards. Steel bolts, fiber glass wall insulation and cleaning press pads, for example, are what they are regardless of which manufacturer produces them. The application of color to the product can be isolated to a single purpose: to change the article's external appearance so as to distinguish one source from another.⁶²⁷

The district court saw the fashion industry as operating on differing principles. “[W]hatever commercial purposes may support extending trademark protection to a single color for industrial goods do not easily fit the unique characteristics and needs—the creativity, aesthetics, taste, and seasonal change—that define production of articles of fashion.”⁶²⁸ To the district court, this meant that “[t]he difference for Lanham Act purposes . . . is that in fashion markets color serves not solely to identify sponsorship or source, but is used in designs primarily to advance expressive, ornamental and aesthetic purposes.”⁶²⁹ Ultimately, these considerations, as well as the documented acknowledgement by the designer of the plaintiffs’ shoes of “significant, nontrademark functions for choosing red for his outsoles,”⁶³⁰ led the district court to conclude that the plaintiffs’ claimed mark was aesthetically functional:

The outsole of a shoe is, almost literally, a pedestrian thing. Yet, coated in a bright and unexpected color, the outsole becomes decorative, an object of beauty. To attract, to reference, to stand out, to blend in, to beautify, to endow with sex appeal—all comprise nontrademark functions of color in fashion.⁶³¹

This holding did not withstand appellate scrutiny. The Second Circuit acknowledged the viability of the aesthetic functionality doctrine as a general proposition, noting that “a mark is aesthetically functional, and therefore ineligible for protection under the Lanham Act, where protection of the mark *significantly* undermines competitors’ ability to compete in the relevant market.”⁶³² Nevertheless, it was unwilling to endorse what it

627. *Christian Louboutin S.A.*, 778 F. Supp. 2d at 450-51 (citations omitted).

628. *Id.*

629. *Id.* at 451.

630. *Id.* at 453.

631. *Id.* at 454.

632. *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 222 (2d Cir. 2012).

characterized as “the *per se* rule of functionality for color marks in the fashion industry adopted by the District Court, a rule that would effectively deny trademark protection to any deployment of a single color in an item of apparel.”⁶³³ In contrast to the district court’s reading of *Qualitex*, the appellate court held that:

[T]he Supreme Court specifically forbade the implementation of a *per se* rule that would deny protection for the use of a single color in a particular industrial context. *Qualitex* requires an individualized, fact-based inquiry into the nature of a trademark, and cannot be read to sanction an industry-based *per se* rule. . . .

Even if *Qualitex* could be read to permit an industry-specific *per se* rule of functionality (a reading we think doubtful), such a rule would be neither necessary nor appropriate here. . . .

. . . [T]he functionality defense does not guarantee a competitor the greatest range for his creative outlet, but only the ability to fairly compete within a given market.⁶³⁴

B. Establishing Liability

1. Proving Actionable Uses in Commerce by Defendants

To trigger liability, each of the Lanham Act’s primary statutory causes of action requires that the challenged use be one “in commerce.”⁶³⁵ This prerequisite has led a number of defendants in recent years to argue that their conduct does not so qualify.

a. Cases Finding Use in Commerce by Defendants

In a break from the arguable trend over the past few years, courts addressing the issue of whether defendants had made actionable uses in commerce held in favor of plaintiffs with relative infrequency. One court reaching such a holding addressed the familiar scenario of trademarks being purchased as keywords through Google’s AdWords program.⁶³⁶ Applying controlling Second Circuit authority,⁶³⁷ the court made short work of any claim by the defendants that their participation in Google’s program was not actionable: “[T]here is no dispute that defendants’ use of the mark to purchase AdWords to advertise its

633. *Id.* at 223.

634. *Id.* (alteration omitted) (citation omitted).

635. *See* 15 U.S.C. §§ 1114, 1125(a), 1125(c) (2012).

636. *See* *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127 (E.D.N.Y. 2011).

637. *See* *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 127 (2d Cir. 2009).

products for sale on the Internet constitutes ‘use in commerce’ under the Lanham Act.”⁶³⁸

***b. Cases Declining to Find Use
in Commerce by Defendants***

Some courts were willing to resolve the issue of use in commerce by defendants as a matter of law.⁶³⁹ Perhaps the most notable example of such a disposition came in a challenge before the Ninth Circuit to a Washington state ballot law that allowed candidates to indicate their political party preferences regardless of whether the parties so indicated actually approved of the candidates.⁶⁴⁰ The challengers to this arrangement asserted a number of bases for its invalidation, which included a Lanham Act-based claim by the state Libertarian Party. The district court hearing the case dismissed this theory for failure to state a claim, and the Ninth Circuit affirmed. According to the appellate court:

The Libertarian Party correctly points out that “services” can include activities performed by a political party. But it has not plausibly alleged that the *state* uses party labels on the ballot to perform a service in competition with the Libertarian Party. Nor has it even attempted to make this showing.⁶⁴¹

Another motion to dismiss on this ground proved successful in *Naked Cowboy v. CBS*.⁶⁴² The plaintiff, who played his guitar and sang in Times Square while clad only in a hat, boots, and his underwear, had secured two federal registrations of the NAKED COWBOY mark for a variety of goods and services. The defendants produced the soap opera *The Bold and the Beautiful*, which in one of its episodes featured a similarly attired character serenading his girlfriend. The words “naked cowboy” appeared nowhere in the episode itself, but the defendants promoted a clip of the offending serenade by uploading it on YouTube using those words as the clip’s title, by using “naked” and “cowboy” as tags for the clip, and by purchasing “naked cowboy” as a key word. Although not questioning the validity of the plaintiff’s marks and registrations,

638. *CJ Prods.*, 809 F. Supp. 2d at 158.

639. *Cf. Patrick Collins, Inc. v. Does 1-26*, 843 F. Supp. 2d 565, 570 (E.D. Pa. 2011) (declining to grant leave to serve third-party subpoenas aimed at identifying John Doe defendants on ground that “the complaint lacks any specific factual allegations that John Doe Defendants sold, distributed, or advertised *any goods*, much less goods bearing Plaintiff’s trademarks; or that Defendants have used Plaintiff’s trademarks ‘in commerce.’”)

640. *See Wash. State Republican Party v. Wash. State Grange*, 676 F.3d 784 (9th Cir.), *cert. denied sub nom, Libertarian Party of Wash. State v. Wash. State Grange*, 133 S. Ct. 110 (2012).

641. *Id.* at 795 (citation omitted).

642. 844 F. Supp. 2d 510 (S.D.N.Y. 2012).

the defendants argued in a motion to dismiss for failure to state a claim that they had not engaged in an actionable use in commerce, and the court for the most part agreed. Focusing on the statutory definition of *trademark* use in commerce found in Section 45 of the Lanham Act,⁶⁴³ the court pointed out that the defendants had not sold any goods bearing the words in question; this, the court held, precluded a finding that the defendants' use of tags and key words based on "naked" and "cowboy" was actionable.⁶⁴⁴

Slightly less aggressive dismissals of plaintiffs' allegations of actionable uses in commerce also came on defense motions for summary judgment,⁶⁴⁵ rather than motions to dismiss, including one in an action against a domain name registrar.⁶⁴⁶ The gravamen of the plaintiff's complaint was that the defendant had allowed a third party to register domain names that were confusingly similar to the plaintiff's mark and then had facilitated the redirection of online traffic allegedly intended for the plaintiff to websites featuring pornographic content. The court concluded that the defendant's role in the redirection process was limited to making available an automatic forwarding feature to its customers and that this entitled the defendant to summary judgment on the plaintiff's cause of action under the Anticybersquatting Consumer Protection Act. As the court explained, "[the defendant] simply provided the infrastructure to the [third party] registrant to route the Disputed Domains to the website of his choosing. Only the domain name registrant or the registrant's licensee can 'use' a domain name for purposes of the ACPA."⁶⁴⁷

643. 15 U.S.C. § 1127 (2012).

644. See *Naked Cowboy*, 844 F. Supp. 2d at 515. The court *did* find for purposes of the defendants' motion to dismiss that the defendants' use of the phrase "naked cowboy" as the title of their clip constituted a use in commerce, *see id.*, but ultimately excused that use as a nonactionable fair descriptive one. *See id.* at 516.

645. See, e.g., *Velocity Int'l, Inc. v. Celerity Healthcare Solutions, Inc.*, 846 F. Supp. 2d 332, 367-68 (W.D. Pa. 2011) (granting defense motion for summary judgment in part on absence of evidence that defendant had used allegedly infringing mark after expiration of license between parties).

646. See *Petroliaam Nasional Berhad v. GoDaddy.com Inc.*, 101 U.S.P.Q.2d 1507 (N.D. Cal. 2012).

647. *Id.* at 1514.

On the subject of whether a license existed between the third-party registrant and the defendant, the court noted the absence of:

any evidence that the agreements between [the defendant] and the registrant gave [the defendant] a "license" to use the Disputed Domains. [The defendant's] contractual right to terminate service does not equate to a license to use the registrant's domain names, and the fact that the registrant forwards the domain name through [the defendant's] systems does not create a reciprocal license for [the defendant] to use the registrant's domain names.

Id. at 1515.

A determination of no actionable use in commerce in the context of a likelihood-of-dilution claim came at the hands of the Fifth Circuit.⁶⁴⁸ The appeal before that court had its origins in a declaratory judgment action brought by a commercial printer that had fulfilled orders for promotional materials featuring marks owned by the Ford Motor Company. Ford asserted a counterclaim under Section 43(c), leading the counterclaim defendant to argue that it had not used Ford's marks in commerce within the meaning of the statute. Relying on the definition of "trademark" contained in Section 45 of the Act—"any word, name, symbol, or device . . . used by a person to identify and distinguish his or her goods . . . from those manufactured or sold by others"⁶⁴⁹—the court concluded that "[w]e agree with the district court that [the counterclaim defendant] did not 'use' Ford's marks (as [Section 43(c)] contemplates that term) in identifying or distinguishing its own goods or services merely by reproducing them for customers as part of its commercial printing business."⁶⁵⁰

2. Proving Likelihood of Confusion

a. The First Circuit

The test for likely confusion applied in opinions from, or otherwise originating in, the First Circuit continued to turn on eight factors:

Consumer confusion is established by reference to eight guiding principles: "(1) the similarity of the marks; (2) the similarity of the goods; (3) the relationship between the parties' channels of trade; (4) the relationship between the parties' advertising; (5) the classes of prospective purchasers; (6) evidence of actual confusion; (7) the defendant's intent in adopting its mark; and (8) the strength of the plaintiff's mark."⁶⁵¹

The First Circuit itself explained that "[t]his list is merely illustrative; the purpose of the inquiry is to determine whether the allegedly infringing conduct carries with it a likelihood of

648. *See Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526 (5th Cir. 2012).

649. 15 U.S.C. § 1127 (2012).

650. *Nat'l Bus. Forms & Printing*, 671 F.3d at 538.

651. *Mercado-Salinas v. Bart Enters. Int'l, Ltd.*, 671 F.3d 12, 23 (1st Cir. 2011) (quoting *Borinquen Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 120 (1st Cir. 2006)); *see also* *Peoples Fed. Sav. Bank v. People's United Bank*, 672 F.3d 1, 10 (1st Cir. 2012); *Dorpan, S.L. v. Hotel Melia, Inc.*, 851 F. Supp. 2d 398, 409 (D.P.R. 2012); *Total Petroleum P.R. Corp. v. Colon*, 819 F. Supp. 2d 55, 68 (D.P.R. 2011).

confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.”⁶⁵²

b. The Second Circuit

The *Polaroid* test⁶⁵³ remained unchanged in the Second Circuit, with courts there examining: (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the marks; (3) the proximity of the products or services; (4) the likelihood that the senior user will “bridge the gap” into the junior user’s product service line; (5) evidence of actual confusion between the marks; (6) whether the defendant adopted the mark in good faith; (7) the quality of defendant’s products or services; and (8) the sophistication of the parties’ customers.⁶⁵⁴

c. The Third Circuit

The Third Circuit’s *Lapp* factors⁶⁵⁵ continued to govern likelihood-of-confusion determinations in that jurisdiction and included: (1) the degree of similarity between the parties’ marks; (2) the strength of the plaintiff’s mark; (3) the price of the goods or services and other factors indicative of consumers’ care and attention when making a purchase; (4) the length of the defendant’s use of its mark without actual confusion; (5) the defendant’s intent when adopting its mark; (6) any evidence of actual confusion; (7) whether the goods or services, if not competitive, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties’ sales efforts are the same; (9) the relationship of the goods or services in the minds of consumers because of the similarity of function; and (10) other facts

652. *Mercado-Salinas*, 671 F.3d at 23 (internal quotation marks omitted).

653. See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

654. See, e.g., *Gucci Am., Inc. v. Guess?, Inc.*, 843 F. Supp. 2d 412, 418-19 (S.D.N.Y. 2012); *Ascentive, LLC v. Opinion Corp.*, 842 F. Supp. 2d 450, 460 (E.D.N.Y. 2011); *Gameologist Grp. v. Sci. Games Int’l, Inc.*, 838 F. Supp. 2d 141, 157 (S.D.N.Y. 2011); *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 712-13 (S.D.N.Y. 2011); *Gucci Am., Inc. v. Guess?, Inc.*, 831 F. Supp. 2d 723, 736 (S.D.N.Y. 2011); *Grout Shield Distribs., LLC v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389, 413 (S.D.N.Y. 2011); *Gap Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417, 1428 (S.D.N.Y. 2011); *Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc.*, 817 F. Supp. 2d 66, 73 (S.D.N.Y. 2011); *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 153 (E.D.N.Y. 2011); *U.S. Polo Ass’n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 526 (S.D.N.Y. 2011); *Chanel, Inc. v. Veronique Idea Corp.*, 795 F. Supp. 2d 262, 266-67 (S.D.N.Y. 2011).

655. See *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983).

suggesting that the consuming public might expect the prior owner to expand into the defendant's market.⁶⁵⁶

d. The Fourth Circuit

The Fourth Circuit's "*Pizzeria Uno*" test for likely confusion traditionally has required consideration of: (1) the strength or distinctiveness of the plaintiff's mark; (2) the similarity of the parties' marks; (3) the similarity of the parties' goods; (4) the similarity of the parties' retail outlets; (5) the similarity of the parties' advertising; (6) the defendant's intent in selecting its mark; and (7) the existence of any actual confusion.⁶⁵⁷ For the most part, courts in that jurisdiction applied these factors,⁶⁵⁸ although one panel of the Fourth Circuit and one district court within that jurisdiction considered the quality of the defendant's product and the sophistication of the consuming public as well.⁶⁵⁹ For good measure, another federal district court threw in the probability of the plaintiff bridging any gap between the parties' goods and services as well.⁶⁶⁰

e. The Fifth Circuit

Courts in the Fifth Circuit historically have applied a test for likelihood of confusion turning on the application of seven "digits of confusion": (1) the strength of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the similarity of the parties' goods or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual confusion.⁶⁶¹ Two district courts, however, added an eighth factor, namely, the degree of care exercised by potential purchasers.⁶⁶²

656. See, e.g., *AVS Found. v. Eugene Berry Enters.*, 101 U.S.P.Q.2d 1256, 1261 (W.D. Pa. 2011); *Velocity Int'l, Inc. v. Celerity Healthcare Solutions, Inc.*, 846 F. Supp. 2d 332, 366 (W.D. Pa. 2011); *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 410 (D.N.J. 2011).

657. See *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984).

658. See, e.g., *Ray Comm'ns, Inc. v. Clear Channel Comm'ns, Inc.*, 673 F.3d 294, 302 (4th Cir. 2012).

659. See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 153 (4th Cir. 2012); *Coryn Grp. II LLC v. O.C. Seacrets Inc.*, 101 U.S.P.Q.2d 1547, 1550 n.9 (D. Md. 2011).

660. See *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 570 (M.D.N.C. 2011).

661. See *Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526, 532 (5th Cir. 2012); *FPX, LLC v. Google, Inc.*, 276 F.R.D. 543, 549 (E.D. Tex. 2011).

662. See *John Crane Prod. Solutions Inc. v. R2R & D LLC*, 861 F. Supp. 2d 792, 795 (N.D. Tex. 2012); *Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846, 863 (W.D. La. 2011).

f. The Sixth Circuit

As they have done for years, Sixth Circuit courts evaluated claims of likely confusion using an eight-factor test for liability. Those factors consisted of: (1) the strength of the plaintiff's mark; (2) the relatedness of the parties' goods and services; (3) the similarity of the parties' marks; (4) the degree of purchaser care; (5) the defendant's intent in selecting its mark; (6) the marketing channels used by the parties; (7) the likelihood of expansion of the parties' product lines; and (8) evidence of actual confusion.⁶⁶³ One panel court observed that "[w]e assess each factor with respect to the relevant consumer market; potential buyers of the 'junior' product . . . are the relevant consumers."⁶⁶⁴

g. The Seventh Circuit

Seventh Circuit courts applied their usual seven-factor test for likely confusion, which considered: (1) the similarity between the parties' marks in appearance and suggestion; (2) the similarity between the parties' products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by the parties' consumers; (5) the strength of the plaintiff's mark; (6) any actual confusion; and (7) the defendant's intent.⁶⁶⁵ One Illinois federal district court noted "[t]he consideration of these factors requires equitable balancing and no single factor is dispositive."⁶⁶⁶

h. The Eighth Circuit

The relevant factors for consideration in likelihood-of-confusion determinations by federal courts in the Eighth Circuit remained unchanged: (1) the strength of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the parties' competitive proximity; (4) the alleged infringer's intent to pass off its goods or services as those of the plaintiff; (5) the degree of care exercised by consumers; and (6) incidents of actual confusion.

663. See *Maker's Mark Distillery, Inc. v. Diageo N. Am.*, 679 F.3d 410, 419 (6th Cir. 2012); *Dorchen/Martin Assocs. v. Brook of Cheboygan, Inc.*, 838 F. Supp. 2d 607, 613 (E.D. Mich. 2012); *Lorillard Tobacco Co. v. Hamden Inc.*, 102 U.S.P.Q.2d 1703, 1707 (N.D. Ohio 2011); *Victory Lane Quick Oil Change, Inc. v. Darwich*, 799 F. Supp. 2d 730, 735 (E.D. Mich. 2011); *Chrysler Grp. v. Moda Grp.*, 796 F. Supp. 2d 866, 875 (E.D. Mich. 2011).

664. *Maker's Mark*, 679 F.3d at 419.

665. See *Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int'l Software, Inc.*, 653 F.3d 448, 454 (7th Cir. 2011); *Dwyer Instruments Inc. v. Sensoscon Inc.*, 103 U.S.P.Q.2d 1444, 1454 (N.D. Ind. 2012); *Facebook, Inc. v. Teachbook.com LLC*, 819 F. Supp. 2d 764, 779 (N.D. Ill. 2011).

666. *Facebook*, 819 F. Supp. 2d at 779 (citation omitted).

i. The Ninth Circuit

The *Sleekcraft* test for likelihood of confusion⁶⁶⁷ remained the most popular standard in the Ninth Circuit. It turned on the following eight factors: (1) the strength of the plaintiff's mark; (2) the proximity of the parties' products; (3) the similarity of the parties' marks; (4) evidence of actual confusion; (5) the marketing channels used by the parties; (6) the type of goods or services provided by the parties; (7) the defendant's intent in selecting its mark; and (8) the likelihood of expansion of the parties' product lines.⁶⁶⁸

j. The Tenth Circuit

The Tenth Circuit likelihood-of-confusion test was invoked infrequently over the past year but, when it was, that test took into account the following factors: (1) the degree of similarity between the parties' goods; (2) the intent of the alleged infringer; (3) evidence of actual confusion; (4) similarity in the parties' marketing practices; (5) the degree of care likely to be exercised by purchasers; and (6) the strength of the plaintiff's mark.⁶⁶⁹ One court noted that "[a]ll of these factors must be considered as an interrelated whole because the list of factors is not exhaustive and no single factor is dispositive."⁶⁷⁰

k. The Eleventh Circuit

The test for likely confusion applied by the Eleventh Circuit courts remained extant over the past year and focused on: (1) the type or strength of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the similarity between the goods associated with the parties' marks; (4) the similarity between the parties'

667. See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), *abrogated on other grounds as recognized by* *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003).

668. See, e.g., *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1199 (9th Cir. 2012); *T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121, 1128 (W.D. Wash. 2012); *Seirus Innovative Accessories, Inc. v. Gordini U.S.A. Inc.*, 849 F. Supp. 2d 963, 986 (S.D. Cal. 2012); see *E & J Gallo v. Proximo Spirits, Inc.*, 103 U.S.P.Q.2d 1640, 1652 (E.D. Cal. 2012); *Moroccanoil, Inc. v. Allstate Beauty Prods., Inc.*, 847 F. Supp. 2d 1197, 1201 n.1 (C.D. Cal. 2012); *Groupion, LLC v. Groupon, Inc.*, 826 F. Supp. 2d 1156, 1162 (N.D. Cal. 2011); *Apple Inc. v. Amazon.com Inc.*, 100 U.S.P.Q.2d 1835, 1838 (N.D. Cal. 2011); *Nat'l Ass'n of Realtors v. Champions Real Estate Servs. Inc.*, 812 F. Supp. 2d 1251, 1260 (W.D. Wash. 2011); *Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013, 1023-24, 1029 (C.D. Cal. 2011).

669. See *Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC*, 861 F. Supp. 2d 1293, 1301 (D. Kan. 2012); *Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262, 1271 (D. Colo. 2012); *Basis Int'l Ltd. v. Research in Motion Ltd.*, 827 F. Supp. 2d 1302, 1308 (D.N.M. 2001).

670. *Water Pik*, 848 F. Supp. 2d at 1271.

trade channels and customers; (5) the similarity of the parties' advertising media; (6) the defendant's intent; and (7) the extent of any actual confusion.⁶⁷¹

1. The District of Columbia Circuit

There were no apparent reported opinions in the District of Columbia Circuit bearing on the likelihood-of-confusion inquiry during the past year.

3. Findings and Holdings

a. Likelihood of Confusion: Preliminary Relief

As usual, some cases cried out for preliminary injunctive relief, and courts obliged in entering it. All too often, these outcomes occurred in actions by licensors or franchisors against defendants that continued to use marks after their authorization to do so was terminated.⁶⁷² Quoting Professor McCarthy, one court explained why:

Once a franchise, dealership or license contract is terminated, there is no doubt that the former franchisee, dealer or licensee has no authorization or consent to continue use of the mark. After the permission to use the mark has ended, use of the mark must cease. The terminated dealer who is a "hold-over" and refuses to change the mark is an infringer. Continued use by former franchisee, dealer or licensee of the mark constitutes a fraud on the public, since they are led to think that the continuing user is still connected with the trademark owner.⁶⁷³

A variation on this theme occurred in a case in which, following their termination as franchisees in the plaintiff's VICTORY LANE quick oil change network, the defendants did not disassociate themselves from the plaintiff and its marks as

671. *See, e.g.*, *W. Sizzlin Corp. v. Pinnacle Bus. Partners*, 103 U.S.P.Q.2d 1148, 1151 (M.D. Fla. 2012); *Suzuki Motor Corp. v. Jiujiang Hison Motor Boat Mfg. Co.*, 102 U.S.P.Q.2d 1555, 1557 (S.D. Fla. 2012); *TracFone Wireless, Inc. v. PAK China Grp.*, 843 F. Supp. 2d 1284, 1295 (S.D. Fla. 2012); *Mango's Tropical Cafe, Inc. v. Mango Martini Rest. & Lounge, Inc.*, 844 F. Supp. 2d 1246, 1252 (S.D. Fla. 2011); *CCA & B, LLC v. F + W Media Inc.*, 819 F. Supp. 2d 1310, 1324 (N.D. Ga. 2011); *Unique Sports Prods. Inc. v. Ferrari Imp. Co.*, 100 U.S.P.Q.2d 1948, 1951 (N.D. Ga. 2011); *Suntree Techs., Inc. v. EcoSense Int'l, Inc.*, 802 F. Supp. 2d 1273, 1281 (M.D. Fla. 2011), *aff'd*, 693 F.3d 1338 (11th Cir. 2012).

672. *See, e.g.*, *Buffalo Wild Wings Int'l, Inc. v. Grand Canyon Equity Partners, LLC*, 829 F. Supp. 2d 836, 842-44 (D. Minn. 2011).

673. *Wetzel's Pretzels, LLC v. Johnson*, 797 F. Supp. 2d 1020, 1028 (C.D. Cal. 2011) (quoting 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 25:31 (4th ed. 2011)).

effectively as they might have.⁶⁷⁴ They adopted SALINE QUICK LUBE as their post-termination verbal mark and a logo, which, like that of the plaintiff featured a checkered flag scheme. The court was not impressed with the defendants' transition efforts, concluding that "[a] review of both logos shows that they both use a black and white checkered flag pattern surrounding the name of each company. Although the company names are different, the general look and overall impression is similar."⁶⁷⁵ It was similarly unswayed by the absence of evidence of actual confusion, with respect to which it properly held that "[t]his does not necessarily negate a finding of *likelihood* of confusion, however, if the other elements are met."⁶⁷⁶ Finally, the "other elements" of the plaintiff's prima facie case were indeed met by its showings that the defendant's operation remained in the same location, that the parties' customers did not exercise a high degree of care, that the defendants' creation of a substantially similar logo supported an inference of intentional infringement, and that the parties were direct competitors.⁶⁷⁷

Outside of the holdover licensee context, the owner of the federally registered BBX mark for various software products successfully prosecuted a motion for a temporary restraining order against the use of the same mark in connection with a platform for smartphone applications.⁶⁷⁸ Not surprisingly, the similarity between the parties' marks weighed in favor of a finding of likely confusion, as did the "striking similarity between the [parties'] two products."⁶⁷⁹ Also supporting the plaintiff's motion were its showings that its mark was strong, that it had received inquiries about whether it had "sold out" following the launch of the plaintiff's mark, and that the defendants' likely knowledge of the plaintiff and its products made it "reasonable to infer that [the defendants] chose this mark intending to confuse the public, or to benefit from the goodwill earned over the years by [the plaintiff's] trademark."⁶⁸⁰ The purchasers of the parties' marks might be "somewhat sophisticated," the court found, but "the identical nature of the BBX marks attenuates any discrimination a sophisticated user might bring to bear"⁶⁸¹

674. See, e.g., *Victory Lane Quick Oil Change, Inc. v. Darwich*, 799 F. Supp. 2d 730 (E.D. Mich. 2011)

675. *Id.* at 735.

676. *Id.* at 736.

677. See *id.*

678. See *Basis Int'l Ltd. v. Research in Motion Ltd.*, 827 F. Supp. 2d 1302 (D.N.M. 2011).

679. *Id.* at 1308.

680. *Id.* at 1309.

681. *Id.* at 1309-10.

Another arguably “easy” case involved competing uses of the WALTER MERCADO name for various psychic and astrological materials.⁶⁸² Both the plaintiffs and the defendants had approached the district court seeking interlocutory relief, making the outcome of the likelihood-of-confusion inquiry a foregone conclusion. Only the counterclaim plaintiff’s motion was successful, and the First Circuit was disinclined to disturb the district court’s granting of it as an abuse of discretion. As the appellate court summarized the preliminary injunction record, “[t]he [parties’] products [bear] the same trademark; they are within the same class of astrological and psychic products; and they target the same class of Spanish-speaking astrological and psychic customers.”⁶⁸³

A strong showing of actual confusion helped a different plaintiff to secure a preliminary injunction.⁶⁸⁴ The parties both provided veterinary clinic services—the plaintiff under the HEARTLAND ANIMAL CLINIC mark and the defendants under the HEARTLAND SPCA ANIMAL MEDICAL CLINIC mark. In support of its motion, the plaintiff introduced a log documenting 166 instances of misdirected communications occurring within five months of the defendants’ adoption of their mark.⁶⁸⁵ The court noted of these that “the timing of the calls show[s] a strong inference of actual confusion, since this avalanche of calls began shortly after the defendants commenced their heavy electronic marketing campaign, and has shown little sign of abatement.”⁶⁸⁶ Other factors weighing in the plaintiff’s favor included the defendants’ use of radio advertising, which diminished the significance of the parties’ differing presentations of their marks,⁶⁸⁷ the defendants’ failure to research the availability of their mark in the geographic area occupied by the parties,⁶⁸⁸ “that a non-negligible portion of the defendant[s]’ clients include . . . customers who might otherwise seek services from the plaintiff,”⁶⁸⁹ and the “relatively unsophisticated” nature of at least the defendants’ customers.⁶⁹⁰

682. *See Mercado-Salinas v. Bart Enters. Int’l, Ltd.*, 671 F.3d 12 (1st Cir. 2011).

683. *Id.* at 23.

684. *See Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC*, 861 F. Supp. 2d 1293 (D. Kan. 2012).

685. *See id.* at 1295.

686. *Id.* at 1306.

687. *See id.* at 1301.

688. *See id.*

689. *Id.*

690. *Id.* at 1302-03.

The submission of evidence of actual confusion also helped drive a finding that the use of the PLUSHEZ PILLOW PETS mark in connection with stuffed plush animals was likely to be confused with the prior use of the PILLOW PETS, MY PILLOW PETS, and IT'S A PILLOW, IT'S A PET, IT'S A PILLOW PET marks for directly competitive goods.⁶⁹¹ As the court explained, the preliminary injunction record “contains numerous customer reviews from Amazon.com that indicate that some consumers purchased defendants’ product under the false impression that they were purchasing plaintiffs’ ‘Pillow Pet’ product.”⁶⁹² The plaintiffs additionally benefitted from the court’s findings that their marks were strong,⁶⁹³ that the defendants’ mark was “quite similar” to at least the plaintiffs’ PILLOW PET mark,⁶⁹⁴ and that the parties’ shared customers were not particularly sophisticated;⁶⁹⁵ the defendants’ case was not helped by their registration of the *pillowpets.co* domain name, which the court found weighed in the plaintiffs’ favor even though they had not yet amended their complaint to add a cybersquatting claim.⁶⁹⁶

The court did not stop with this conventional finding of infringement in the bricks-and-mortar context. Rather, it found that the defendants’ purchase of the plaintiffs’ marks as keywords to trigger advertisements for the defendants’ goods constituted an additional basis for liability. Although incorporating by reference many of its prior factual findings, it revisited the likelihood-of-confusion factors of mark similarity and actual confusion. With respect to the former, it credited the plaintiffs’ showing that at least some of the defendants’ advertising prominently featured the defendants’ *pillowpets.co* domain name, which the court found to be “virtually identical to plaintiffs’ ‘Pillow Pets’ trademark in appearance, sound, and meaning.”⁶⁹⁷ The court’s conclusions with respect to the latter were no less damaging to the defendants’ chances: In particular, the preliminary injunction record demonstrated a “precipitous rise” in visitors to the defendants’ website “at the time the defendants began to use the ‘pillow pets’ mark,” which the court found “points to a substantial likelihood that defendants’ took advantage of plaintiffs’ substantial advertising campaign in lieu of mounting their own.”⁶⁹⁸

691. See *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127 (E.D.N.Y. 2011).

692. *Id.* at 155.

693. See *id.* at 154.

694. See *id.*

695. See *id.* at 155-56.

696. See *id.* at 155.

697. *Id.* at 159.

698. *Id.* at 160.

Another court found evidence of actual confusion to be probative of likely confusion despite the fact that the record was apparently devoid of any such evidence.⁶⁹⁹ The litigation presented a strong case for a preliminary injunction even without taking this consideration into account, as the plaintiffs used the incontestably registered SUZUKI mark for various types of motor vehicles and vehicle parts, while the defendants used the identical mark in connection with watercraft allegedly having engines produced by the plaintiffs. Not surprisingly, the marketplace likelihood-of-confusion factors of the competitive proximity of the parties' goods, the similarity of their sales methods, and their shared advertising media all weighed in the plaintiffs' favor,⁷⁰⁰ and the court additionally found that "[c]ommon sense leads a reasonable person to conclude [the defendant's] actions were taken with the understanding of the fame of the SUZUKI Trademark and without authorization to use the SUZUKI Trademark to market, advertise, or sell its products."⁷⁰¹ That left actual confusion, the existence of which the court considered it reasonable to infer: "[The defendant] is advertising, offering to sell, and selling products under the identical SUZUKI Trademark that [the plaintiffs] use on very similar products. It is highly likely that there has, in fact, been actual confusion."⁷⁰²

The concurrent use in connection with men's fragrances of marks incorporating the word "polo" and images of mallet-wielding polo players led to the entry of another preliminary injunction.⁷⁰³ The court found that the counterclaim plaintiffs' POLO and stylized polo player marks enjoyed both "robust" inherent distinctiveness and real-world commercial strength.⁷⁰⁴ It then rejected the argument that the parties' marks were visually dissimilar, noting with respect to their stylized polo players that:

Both marks are similar in perspective—containing a polo player on horseback, facing slightly to the viewer's left, leaning forward with a polo mallet raised. Both are

699. *See Suzuki Motor Corp. v. Jiujiang Hison Motor Boat Mfg. Co.*, 102 U.S.P.Q.2d 1555 (S.D. Fla. 2012).

700. *See id.* at 1557-58.

701. *Id.* at 1558.

702. *Id.* at 1559.

703. *See U.S. Polo Ass'n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515 (S.D.N.Y. 2011).

704. *See id.* at 527-28. The evidence with respect to the marks' commercial strength included the plaintiffs' investment of over one-hundred million dollars in promoting goods sold under the marks in the preceding ten years, "just over one billion dollars" of sales during the same period, and survey results establishing that "men and women ages 18 to 60 [have] between 82% and 85% awareness of . . . fragrances bearing the Polo Player Logo and 'POLO' brand, ranking it second in brand awareness in the fields of fashion and fragrances." *Id.* at 528.

monochrome logos that are similar in their level of abstraction. Both are displayed in embossed metallic or glossy material—with [the counterclaim plaintiffs’] appearing in a number of colors including silver and gold, and [the counterclaim defendants’] appearing in a light gold.⁷⁰⁵

Likewise, the counterclaim defendants’ U.S. POLO ASSN. 1890 word mark was confusingly similar to the counterclaim plaintiffs’ POLO mark under the “general rule that one may not ‘avoid a likelihood of confusion by the addition [to the senior user’s mark] of descriptive or otherwise subordinate matter.’”⁷⁰⁶ The counterclaim plaintiffs’ survey evidence of confusion between the parties’ marks⁷⁰⁷ and the court’s finding that the counterclaim defendants had adopted their mark “with the intention of capitalizing on the [lead counterclaim plaintiff’s] reputation and goodwill”⁷⁰⁸ only sealed the counterclaim defendants’ fate.

Finally, a closer case for preliminary relief was brought by the owners of the REBEL DEBUTANTE mark, which was registered for clothing and which the plaintiffs averred they intended to use in connection with products such as makeup and cosmetics.⁷⁰⁹ When the plaintiffs encountered the defendant’s sale of a collection of nail polish products under the same mark, they successfully moved the court for a preliminary injunction despite the defendant’s concurrent use of its COLOR CLUB house mark. Addressing the significance of that house mark, the court found that it could not overcome the “independent conceptual strength” of the plaintiffs’ mark, especially because the house mark itself was not well known.⁷¹⁰ Moreover, although the plaintiffs’ registration covered only clothing items, “[a] mark holder is not limited to protection of only the products listed in its application to

705. *Id.* at 529. The counterclaim defendants’ mark featured two riders rather than the one in the counterclaim plaintiffs’ mark. As the court found, however:

In [the counterclaim defendants’] mark, the front horseman is displayed in solid metallic ink, while the rear horseman is only outlined, such that the background packaging shows through. This gives the front—mallet raised—horseman more visual prominence, while the torso of the rear horseman can be said to fade into the background. Both of [the counterclaim defendants’] horsemen share the same directional perspective and overlap to a degree that it is difficult to discern if there is one horse or two.

Id.

706. *Id.* at 529 (alteration in original) (quoting *Bellbrook Dairies, Inc. v. Hawthorn-Mellody Farms Dairy, Inc.*, 253 F.2d 431, 432-33 (C.C.P.A. 1958)).

707. *See id.* at 532-36.

708. *Id.* at 537.

709. *See Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 563 (M.D.N.C. 2011).

710. *See id.* at 572.

[the] USPTO or by the resulting certificate of registration,”⁷¹¹ and, in fact, “[c]osmetics are, to some degree, related to women’s apparel.”⁷¹² A preliminary injunction therefore issued despite the “very different facilities and advertising approaches used by the parties,”⁷¹³ the plaintiffs’ “quite limited” use of their mark,⁷¹⁴ the absence of evidence either of a bad-faith intent by the defendant or of actual confusion,⁷¹⁵ the lack of competitive proximity between the parties’ products as actually sold,⁷¹⁶ and the plaintiffs’ failure to demonstrate that the defendant’s goods were of low quality.⁷¹⁷

b. Likelihood of Confusion: As a Matter of Law

In addition to those cases in which likely confusion was established through the failure of defendants to contest the issue,⁷¹⁸ the past year produced a number of opinions reaching findings of liability as a matter of law.⁷¹⁹ For example, one Pennsylvania federal district court took the unusual step of taking judicial notice, independent of the plaintiffs’ factual showing on the issue, of the fame of the lead plaintiff’s incontestably registered THE TERRIBLE TOWEL mark for rally towels and related goods

711. *Id.* at 573.

712. *Id.* at 574.

713. *See id.* at 575.

714. *See id.* at 575.

715. *See id.* at 575-76.

716. *See id.* at 576.

717. *See id.* at 578.

718. Liability for infringement was established in a number of cases by the defendants’ defaults. *See, e.g.*, TracFone Wireless, Inc. v. PAK China Grp., 843 F. Supp. 2d 1284, 1295-96 (S.D. Fla. 2012) (defendants’ material alteration and resale of plaintiff’s cell phones likely to cause confusion); Mary Kay, Inc. v. Ayres, 827 F. Supp. 2d 584, 590 (D.S.C. 2011) (defendants’ use of plaintiff’s marks following lead defendant’s termination as independent beauty consultant likely to cause confusion); Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc., 817 F. Supp. 2d 66, 73 (S.D.N.Y. 2011) (GVC GENERAL VITAMIN CENTER for the retail sale of vitamins likely to be confused with GNC and GENERAL NUTRITION CENTERS for the retail sale of health foods, supplements, vitamins and minerals, fitness products and apparel, cosmetics, oral and body care, diagnostic exercise, and calorie control products); Estate of Ellington v. Harbrew Imps., 812 F. Supp. 2d 186, 190, 193 (E.D.N.Y. 2011) (DUKE ELLINGTON XO COGNAC for cognac likely to be confused with DUKE ELLINGTON mark for “a broad category of goods and services, including, but not limited to, luxury watches, luxury pens, books, stationary [sic], greeting cards, designer apparel, limited edition prints, calendars, note cards, and posters”); CommScope, Inc. of N.C. v. Commscope (U.S.A.) Int’l Grp., 809 F. Supp. 2d 33, 38-39 (N.D.N.Y. 2011) (COMMSCOPE for communications infrastructure products likely to be confused with COMMSCOPE for communications infrastructure products).

719. *See, e.g.*, Total Petroleum P.R. Corp. v. Colon, 819 F. Supp. 2d 55, 68-69 (D.P.R. 2011) (entering summary judgment of liability against former franchisee).

associated with the Pittsburgh Steelers.⁷²⁰ With the mark-strength factor out of the way, the court went on to find that the defendant's THE TERRIBLE T-SHIRT A PITTSBURGH ORIGINAL mark for golf-shirts created a likelihood of confusion as a matter of law. Not only were the parties' marks "strikingly similar,"⁷²¹ but there was also testimony of at least one instance of actual confusion,⁷²² the defendant had known that "the targeted market of Pittsburgh Steelers fans might view [the defendant's shirt] as an authorized product,"⁷²³ at least the plaintiffs' goods did not require "a substantial financial investment by the purchaser,"⁷²⁴ and "[t]he parties' advertising and marketing targets are the same customers (*i.e.*, Pittsburgh Steelers fans looking for items with one of the [the lead plaintiffs'] marks featured thereon, so that they can show their support for the football team."⁷²⁵

Claims of trademark rights to product configurations have been poorly received by courts in recent years, but that general judicial disfavor did not prevent the owner of a federally registered lens cover for pressure gauges from proving as a matter of law that the competitive use of a similar design was likely to cause confusion.⁷²⁶ Having survived functionality- and distinctiveness-based challenges to the validity of its mark, the plaintiff demonstrated to the court's satisfaction that the appearance of the parties' house marks on their gauges did not create a factual dispute as to the gauges' "almost identical" appearances, especially because both parties sold private-label models of their goods.⁷²⁷ That similarity—coupled with the plaintiff's additional showings of the identity of the parties' products,⁷²⁸ the strength of the

720. *See* AVS Found. v. Eugene Berry Enters., 101 U.S.P.Q.2d 1256 (W.D. Pa. 2011). The plaintiffs also asserted rights to a number of other marks based on the word "terrible," *see id.* at 1257 n.2, but those did not figure appreciably in the court's decision.

721. *Id.* at 1261.

722. *See id.* at 1262.

723. *Id.*

724. *Id.*

725. *Id.*

726. *See* Dwyer Instruments Inc. v. Sensocon Inc., 103 U.S.P.Q.2d 1444 (N.D. Ind. 2012).

727. *Id.* at 1455. According to the court, "the Plaintiff has private-labeled gauges for original equipment manufacturers, and thus consumers may well think that the Plaintiff private labeled their [sic] gauges for [the Defendant]. [The Defendant] also private labels gauges for other companies. When it does so, the [Defendant's] label is not used." *Id.*

The court did not address the potential significance of the plaintiff's private-labeling practices to the secondary meaning of the plaintiff's design.

728. *See id.* at 1456 ("The Defendants argue that they avoided confusion by placing [their house mark] in large font on the face of its [sic] gauges. This argument does not address the similarity of the products; placing a different name on the gauge does not change the nature of the products.").

plaintiff's mark,⁷²⁹ the parties' directly competitive relationship,⁷³⁰ and the existence of at least some actual confusion⁷³¹—drove the entry of summary judgment in the plaintiff's favor; although the defendants sought to establish their good faith and the sophistication of the parties' customers, any factual disputes concerning those factors did not compel a different result.⁷³²

Other trial court opinions produced more predictable findings of infringement as a matter of law.⁷³³ One arose from a case in which the plaintiff was a telecommunications company that provided cell phones to its customers as loss leaders for the plaintiff's pre-paid and post-paid service contracts.⁷³⁴ The defendant's conduct was expansive and included the unlawful acquisition, fraudulent activation, and resale of phones and SIM cards bearing the plaintiff's trademarks; the defendant compounded the likely confusion generated by these activities by falsely advertising that he was an authorized dealer of the plaintiff able to offer unlimited service plans for flat monthly fees. Armed with evidence and testimony of "calls by confused and angry consumers,"⁷³⁵ the plaintiff moved the court for entry of summary judgment in its favor. The court granted the motion, observing that "[t]he undisputed evidence demonstrates that [Plaintiff] and Defendant sell identical-looking, directly-competing products and services to the same purchasers—individuals looking for [the plaintiff's] affordable, high-quality . . . wireless telephones and service—through the same channels of trade, utilizing the same advertising vehicles."⁷³⁶ The record evidence of actual confusion, the strength of the plaintiff's mark, and the defendant's bad-faith intent were merely icing on the cake.⁷³⁷

729. *See id.*

730. *See id.* at 1456-57 ("The parties display their products using the same channels of trade and target the same audiences.").

731. *See id.* at 1457 (crediting inquiries to defendants from existing customer and potential customer concerning the manufacturer of the defendants' gauges as evidence of actual confusion).

732. *See id.* at 1457, 1458.

733. *See, e.g.,* Lorillard Tobacco Co. v. Hamden, Inc., 102 U.S.P.Q.2d 1703, 1706-09 (N.D. Ohio 2011) (entering summary judgment of infringement based on defendant's sale of goods bearing counterfeit imitations of plaintiff's registered marks); Nat'l Ass'n of Realtors v. Champions Real Estate Servs. Inc., 812 F. Supp. 2d 1251, 1259-61 (W.D. Wash. 2011) (entering summary judgment based on holdover licensees' post-termination use of licensed marks).

734. *See* T-Mobile USA, Inc. v. Terry, 862 F. Supp. 2d 1121 (W.D. Wash. 2012).

735. *See id.* at 1126-27.

736. *Id.* at 1128.

737. *Id.* at 1128-29.

c. Likelihood of Confusion: After Trial

When a court of appeals begins its opinion with a lengthy tribute to one party's product, the other party might as well prepare for the coming storm. Such was the case in an appeal to the Sixth Circuit of a bench finding that confusion was likely between an incontestably registered wax seal mark used by the plaintiff on bottles of its bourbon whiskey, and a similar device, which the defendants used in connection with tequila.⁷³⁸ Following a scholarly (if gratuitous) history of bourbon, the court got down to business and rejected the defendants' three attacks on the district court's findings, the first of which related to the strength of the plaintiff's mark. On that issue, the court concluded that the district court had not clearly erred by finding that the plaintiff's mark was conceptually strong, both because the mark was inherently distinctive and because of the plaintiff's incontestable registration, which the court held "entitles [the plaintiff] to a presumption of strength."⁷³⁹ The court reached the same holding with respect to the mark's commercial strength, which was supported by evidence of the plaintiff's advertising budget, "the significant public attention that the wax seal has received through the media," and "studies showing significant amounts of consumer dialogue about the brand, as well as a high level of recognition among both whiskey drinkers and distilled-spirits drinkers more generally."⁷⁴⁰ The court was unswayed by the defendants' arguments that a different conclusion was mandated by the plaintiff's failure to adduce survey evidence of distinctiveness⁷⁴¹ or the defendants' proffered examples of allegedly similar third-party uses in the industry.⁷⁴²

The court was no more sympathetic to the defendants' argument that the appearance of the parties' house marks on their respective bottles precluded confusion. Although acknowledging

738. See *Maker's Mark Distillery, Inc. v. Diageo N. Am.*, 679 F.3d 410 (6th Cir. 2012).

739. *Id.* at 420.

740. *Id.*

741. See *id.* at 421 ("In light of the abundance of other evidence demonstrating market recognition, such as [the plaintiff's] extensive marketing efforts focusing on the red dripping wax seal and its widespread publicity, it was not clear error for the district court to overlook the lack of survey evidence because that evidence was not determinative of the strength of the mark.").

742. The district court discounted this evidence because the third-party uses were not limited to the "relevant market," *id.* at 421, apparently tequila. See *id.* at 419 ("[P]otential buyers of the 'junior' product . . . are the relevant consumers."). Somewhat incongruously, however, it also allowed the plaintiff to rely upon evidence of the fame of its mark within the larger population of all spirits drinkers: "[T]he district court considered, but did not rest its holding on, this evidence. Instead, the district court based its holding primarily on the seal's 'unique design and [the plaintiff's] singular marketing efforts.' We therefore find no error here." *Id.* at 421.

that “the presence of a house mark can decrease the likelihood of confusion,”⁷⁴³ the court held that there were two reasons why the parties’ house marks were not dispositive in the case before it. The first of these was that “testimony in the record indicates that many consumers are unaware of the affiliations between brands of distilled spirits, and that some companies produce multiple types of distilled spirits”⁷⁴⁴ The second was a bit more dubious, namely, that “the presence of a house mark . . . is more significant in a palming off case than in an association case”⁷⁴⁵

Finally, the court turned its attention to the absence of record evidence or testimony of actual confusion. Although finding that the plaintiff would have been able to secure proof of actual confusion if it existed, the district court determined that this factor was neutral. The Sixth Circuit’s treatment of the issue was not as clear: According to it, “the [defendants’] product was sold for a short time and in limited quantities; under these circumstances, it is reasonable that no meaningful evidence of actual confusion was available.”⁷⁴⁶ In any case, however, “[t]he district court did not clearly err in finding the lack of actual confusion evidence non-determinative”⁷⁴⁷ Because the parties did not dispute the district court’s application of the remaining likelihood-of-confusion factors,⁷⁴⁸ its ultimate determination of liability was affirmed.⁷⁴⁹

In a different appeal following a bench trial, the Eighth Circuit similarly affirmed a finding of infringement.⁷⁵⁰ The plaintiff was the owner of the FIRST NATIONAL, FIRST NATIONAL BANK, and FIRST NATIONAL BANK IN SIOUX FALLS marks for banking services, while the defendants used the FIRST NATIONAL BANK SOUTH DAKOTA for directly competitive services. The record was replete with testimony of, and

743. *Id.* at 422.

744. *Id.*

745. *Id.*

746. *Id.*

747. *Id.*

748. As described by the court of appeals, that application included findings that: (1) the parties’ goods “were somewhat related because they were part of the same broad category of high-end distilled spirits, but not fully related because the [defendants’] product was priced at \$100 per bottle, while [the plaintiff’s] sold for \$24 per bottle,” a consideration that was not dispositive, *id.* at 423; (2) the parties’ marketing channels were both similar and dissimilar, which also was not determinative, *see id.* at 424; (3) purchasers of the defendants’ product were sophisticated, which weighed “strongly” in the defendants’ favor, *see id.* at 423-24; (4) the defendants had not intended to infringe, something that was entitled to “no weight,” *id.* at 424; and (5) “neither party put forth evidence of significant expansion plans,” which also was entitled to “no weight.” *Id.*

749. *See id.*

750. *See First Nat’l Bank in Sioux Falls v. First Nat’l Bank S.D.*, 679 F.3d 763 (8th Cir. 2012).

survey results documenting, actual confusion between the parties' marks. The defendants therefore faced an uphill battle establishing that the district court had clearly erred in finding the existence of likely confusion. They attempted to do so by disparaging the significance of confusion among nonconsumers, questioning the credibility of testimony by the plaintiff's employees, and attacking the methodology of the plaintiff's survey. Holding that "the likelihood of confusion made actionable by the Lanham Act 'include[s] confusion of nonpurchasers as well as direct purchasers,'" ⁷⁵¹ that the district court's credibility determinations were entitled to deference, ⁷⁵² and that the plaintiff's survey had been properly conducted, ⁷⁵³ the appellate court affirmed.

Findings of liability also occurred in verdicts that did not lead to appellate opinions. One example of such an outcome arose from a suit by the owners of the incontestably registered GAP and THE GAP marks for the retail sale of clothing and for clothing and accessories, respectively. ⁷⁵⁴ The source of the plaintiffs' ire was the defendant's use of the G.A.P. ADVENTURES mark for travel booking and travel agency services, which came to the plaintiffs' attention when the defendant applied to register it. In the resulting bench trial, the plaintiffs demonstrated to the court's satisfaction that their marks were entitled to a broad scope of protection both because the marks were arbitrary and because they were "strong in terms of *acquired distinctiveness*." ⁷⁵⁵ The similarity of the parties' marks also favored a finding of liability, ⁷⁵⁶ as did the defendant's intent to create an association with the plaintiffs and, somewhat surprisingly, the competitive proximity of the parties' goods and services. ⁷⁵⁷ A final consideration that weighed "strongly" in the plaintiffs' favor was evidence of actual confusion: Not only did the plaintiffs successfully introduce favorable survey evidence on this point, ⁷⁵⁸ "[the defendant's]

751. *Id.* at 770 (quoting *Insty*Bit, Inc. v. Poly-Tech Indus.*, 95 F.3d 663, 672 (8th Cir. 1996)).

752. *See id.*

753. *See id.* at 770-71.

754. *See Gap Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417 (S.D.N.Y. 2011).

755. *Id.* at 1429.

756. *See id.*

757. *See id.* ("[The plaintiffs'] clothes are obviously not in direct competition with [the defendant's] travel tours and services. However, [the parties] sell their goods and services to an overlapping class of customers, as evidenced by [the defendant's] 2007-08 marketing plan, which describes [the defendant's] 'core user' as someone who shops at [the plaintiffs' stores].").

758. The court credited testimony by the plaintiffs' expert that his survey had documented a 60.95 percent positive response rate among participants. *See id.* at 1423.

employees were asked about a relationship with [the plaintiffs], customers called [the defendant] looking for [the plaintiffs], customers requested brochures after coming across [the defendant] looking for [the plaintiffs], and customers found [the defendant's] website while looking for [the plaintiff]."⁷⁵⁹

d. Likelihood of Confusion to Be Determined

The highly factual nature of the likelihood-of-confusion inquiry led a number of courts to defer its resolution until trial. Sometimes that occurred at the pleadings stage, with courts typically concluding on motions to dismiss that plaintiffs had adequately stated causes of action for infringement.⁷⁶⁰ As one court explained, “comparing [the parties’ marks] would be a fact-specific inquiry that is inappropriate for determination on a motion for judgment on the pleadings.”⁷⁶¹

Perhaps the leading example of a judicial refusal to resolve the issue of likely confusion on a motion to dismiss for failure to state a claim came in an assertion of rights to the FACEBOOK mark for online social networking services against the use of TEACHBOOK for a social networking website targeted specifically at teachers.⁷⁶² The defendant’s moving papers argued that, because the only element shared by the parties’ marks was the allegedly generic word “book,” no confusion was likely as a matter of law. The court disagreed, both because “we are not convinced that disaggregating the FACEBOOK mark and focusing on the suffix-BOOK is appropriate in this case”⁷⁶³ and because “we cannot conclude at this point that [the plaintiffs] use of the suffix-BOOK is generic.”⁷⁶⁴ The court was equally unconvinced by the defendant’s contention that “[a] mere glance at the two marks is all that it is needed to decide this [m]otion,”⁷⁶⁵ which it viewed as inconsistent with controlling authority “broaden[ing] the inquiry beyond the visual similarity or dissimilarity of the marks.”⁷⁶⁶ The plaintiff had failed to allege the existence of actual confusion and a lack of sophistication among the parties’ customers; those omissions were

759. *Id.* at 1430.

760. *See, e.g.*, *Stratus Techs. Bermuda Ltd v. EnStratus Networks, LLC*, 795 F. Supp. 2d 166, 169 (D. Mass. 2011) (“Plaintiff has plausibly alleged trademark infringement and states a claim for relief. . . . While defendant disputes many of the complaint’s factual allegations, factual disputes cannot be resolved with a motion to dismiss.”).

761. *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 713 (S.D.N.Y. 2011).

762. *See Facebook, Inc. v. Teachbook.com LLC*, 819 F. Supp. 2d 764 (N.D. Ill. 2011).

763. *Id.* at 778.

764. *Id.*

765. *Quoted in id.* at 780 (second alteration in original).

766. *Id.*

not dispositive,⁷⁶⁷ however, and the plaintiff's allegations that the defendant had acted in bad faith, that the defendant was offering a "similar product," that the parties' areas and manner of use were the same, and that the plaintiff's mark was strong were further reasons to allow the case to proceed.⁷⁶⁸

Refusals to accept or to reject allegations of likely confusion as a matter of law also took place in appeals from successful motions for summary judgment. In one such appeal, *Rosetta Stone Ltd. v. Google, Inc.*,⁷⁶⁹ the Fourth Circuit declined to address the proper relationship between the likelihood-of-confusion inquiry and the nominative fair use doctrine. That litigation had its origins in Google's "sale" of the ROSETTA STONE mark as a keyword for paid advertising by Rosetta Stone's competitors.⁷⁷⁰ Google initially barred advertisements generated through its ADWORDS program from containing express references to the marks triggering them, but it did offer "a trademark-specific keyword tool that suggested relevant trademarks for Google's advertising clients to bid on as keywords."⁷⁷¹ When, in 2009, Google changed its policy to permit limited uses of marks in the express text of advertisements, Rosetta Stone filed suit on a variety of theories, including that the appearance of the ROSETTA STONE mark in the advertisements was likely to cause confusion.⁷⁷²

767. *See id.* at 781 ("[E]ven though actual confusion is one of three factors upon which courts place particular emphasis, the absence of actual confusion is not fatal to an infringement claim."); *id.* at 784 ("[T]he complaint is largely silent as to the degree and care likely to be exercised by consumers. Given [the plaintiff's] numerous allegations relating to the other factors, however, the absence of this factor is of no moment for our present purposes.").

768. *See id.* at 782-84.

769. 676 F.3d 144 (4th Cir. 2012).

770. The court described Google's ADWORDS advertising program in the following terms:

When an Internet user enters a word or phrase—the keyword or keywords—into Google's search engine, Google returns a results list of links to websites that the search engine has determined to be relevant based on a proprietary algorithm.

In addition to the natural list of results produced by the keyword search, Google's search engine also displays paid advertisements known as "Sponsored Links" with the natural results of an Internet search. Google's AdWords advertising platform permits a sponsor to "purchase" keywords that trigger the appearance of the sponsor's advertisement and link when the keyword is entered as a search term. In other words, an advertiser purchases the right to have his ad and accompanying link displayed with the search results for a keyword or combination of words relevant to the advertiser's business.

Id. at 150-51. Rosetta Stone itself purchased this type of advertising from Google. *See id.*

771. *Id.* at 151.

772. The limited circumstances were: "(1) the sponsor is a reseller of a genuine trademarked product; (2) the sponsor makes or sells component parts for a trademarked product; (3) the sponsor offers compatible parts or goods for use with the trademarked product; or (4) the sponsor provides information about or reviews a trademarked product."

The case might have been decided under the rubric of the nominative fair use doctrine, but the court took pains to note that “we are not adopting a position about the viability of the nominative fair use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way”;⁷⁷³ that question, the court held, “has not been presented here and we leave it for another day.”⁷⁷⁴ Nevertheless, the court did affirm the district court’s decision to dispense with all but three of the relevant likelihood-of-confusion factors, namely, Google’s intent, anecdotal and survey evidence of actual confusion, and customer sophistication. As to the first of these, the court was impressed with record evidence that Google had adopted its challenged policy despite “internal studies performed by Google . . . suggest[ing] that there was significant source confusion among Internet searchers when trademarks were included in the title and body of the advertisements.”⁷⁷⁵ As to the second, it credited Rosetta Stone’s introduction of testimony from five consumers that they had mistakenly purchased software bearing counterfeit copies of Rosetta Stone’s mark, the inability of Google’s corporate witnesses to distinguish between advertisements placed by authorized resellers of Rosetta Stone’s goods and by counterfeiters, and the results of a survey commissioned by Rosetta Stone.⁷⁷⁶ And, as to the third, “[t]he evidence . . . includes an internal Google study reflecting that even well-educated, seasoned Internet consumers are confused by the nature of Google’s sponsored links and are sometimes even unaware that sponsored links are, in actuality, advertisements.”⁷⁷⁷ Because the combination of these considerations created a disputed question of fact, the district court’s grant of Google’s motion for summary judgment was vacated, and the case remanded for trial on the merits of Rosetta Stone’s infringement claims.⁷⁷⁸

The Seventh Circuit also vacated entry of nonliability as a matter of law.⁷⁷⁹ The case before that court began as a cancellation action in which the Trademark Trial and Appeal Board

Id. at 151-52. “Google’s policy shift came after it developed the technology to automatically check the linked websites to determine if the sponsor’s use of the trademark in the ad text was legitimate.” *Id.* at 152.

773. *Id.* at 155.

774. *Id.*

775. *Id.* at 156.

776. *See id.* at 156-58.

777. *Id.* at 160.

778. *See id.*

779. *See Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int’l Software, Inc.*, 653 F.3d 448 (7th Cir. 2011).

determined that confusion was likely between two registered uses of the CONDOR mark, one by the counterclaim defendant in connection with computer software to take advantage of unused processing power and the other by the counterclaim plaintiff in connection with mainframe computer online programming development, library management, and systems development. The counterclaim defendant appealed the Board's decision to a federal district court, which ruled in the counterclaim defendant's favor on the parties' cross-motions for summary judgment. That reversal, however, was vacated by the Seventh Circuit, which held that the district court had inappropriately disregarded record evidence and testimony supporting three findings by the Board: (1) there was no dispute between the parties that their marks were identical; (2) the parties' software performed similar functions and therefore could not be said to occupy separate fields; and (3) even sophisticated purchasers were likely to believe that there was some relationship between the parties' goods.⁷⁸⁰ As the appellate court explained, "[t]he question in the end is not whether the evidence compelled a finding in favor of [the counterclaim plaintiff]. . . . But the record includes enough evidence supporting [the counterclaim plaintiff] that further proceedings are necessary."⁷⁸¹

The grant of still another defense motion for summary judgment was vacated by the Ninth Circuit, which used the occasion to confirm that actual confusion among non-purchasers can be probative evidence of liability.⁷⁸² Acknowledging a 1962 amendment to Section 32 of the Act that had eliminated references to point-of-sale confusion,⁷⁸³ the court held that:

[N]on-consumer confusion may also be relevant to the "likelihood of confusion" inquiry in three specific and overlapping circumstances—namely where there is confusion on the part of: (1) potential consumers; (2) non-consumers whose confusion could create an inference that consumers are likely to be confused; and (3) non-consumers whose confusion could influence consumers. In all three instances, the non-consumer confusion bears a relationship to the existence of confusion on the part of consumers themselves.⁷⁸⁴

780. *See id.* at 456.

781. *Id.* at 457.

782. *See* Rearden LLC v. Rearden Commerce, Inc., 683 F.3d 1190 (9th Cir. 2012).

783. *See id.* at 1215.

784. *Id.* at 1214. These three categories were not meant to be exhaustive. On the contrary, the court explained that:

We need not—and do not—decide whether there are other circumstances or grounds for taking into account non-consumer confusion. For example, we do not decide

The plaintiffs' showing that "trade and other publications, as well as trade show organizers and attendees, have confused [the plaintiffs] with [the defendant] or have believed that [the defendant] was founded by [the plaintiffs' principal] or somehow is associated with him and [his] various companies" therefore weighed in favor of a finding of liability;⁷⁸⁵ conflicting record evidence on the issues of the marketing channels used by the parties and the likelihood that the parties might expand their respective lines of business did as well.⁷⁸⁶ Under these circumstances, the grant of the plaintiff's motion for summary judgment had been inappropriate.⁷⁸⁷

Of course, some trial courts denied motions for summary judgment in opinions that did not lead to appeals. The old canard that actual confusion is a prerequisite for a finding of infringement is disposed of in at least one reported opinion nearly every year, and so it was in a case in which the plaintiff's claims relied on a post-sale confusion theory.⁷⁸⁸ In moving for summary judgment, the defendant argued, *inter alia*, that the absence of proof by the plaintiff of diverted sales necessarily meant that there was no likelihood of confusion in the post-sale context. The court disagreed, holding the defendant's proposed focus on actual confusion "would . . . make actual confusion the *sine qua non* of the likelihood of confusion analysis instead of one of the many factors that must be weighed. That is simply not the rule . . ." ⁷⁸⁹ Because "a likelihood of confusion analysis in the post-sale context requires the court to balance all relevant . . . factors," and because the defendant's moving papers failed to address the remaining relevant factors, summary judgment in the defendant's favor was inappropriate.⁷⁹⁰

A court denying a different motion for summary judgment made the point that a mere one-letter difference between two marks did not necessarily render them similar for purposes of the likelihood-of-confusion inquiry.⁷⁹¹ The plaintiff's mark was GROUPIAN, which was used in connection with web-based,

whether confusion on the part of such nonconsumers as vendors and suppliers, potential employees, and investors should be considered merely because such confusion could affect the trademark holder's business, goodwill, or reputation.

Id. at 1214 n.9.

785. *Id.* at 1217.

786. *See id.* at 1219.

787. *See id.*

788. *See Gucci Am., Inc. v. Guess?, Inc.*, 843 F. Supp. 2d 412 (S.D.N.Y. 2012).

789. *Id.* at 421.

790. *Id.*

791. *See Groupion, LLC v. Groupon, Inc.*, 826 F. Supp. 2d 1156 (N.D. Cal. 2011).

computer-relations software and which the plaintiff intended to invoke the words “groupware” and “companion.”⁷⁹² While processing an application to register the mark, the USPTO took a different view of its constituent elements and “assigned the pseudo mark ‘group ion’ [to the plaintiff’s mark], as two words, presumably because it believed [the plaintiff’s mark] . . . means ‘group’ and ‘ion.’”⁷⁹³ Nevertheless, whatever meaning might be attributed to the plaintiff’s mark, it was distinguishable from that of the defendants’ Groupon mark, which was based on the words “group” and “coupon” and used in connection with what the defendants described as a “‘deal of the day’ website . . . that connects merchants to consumers by offering goods and services at a discount.”⁷⁹⁴ This was especially true because “the marks, when viewed in their entirety and as they appear in the marketplace, are dissimilar.”⁷⁹⁵ Moreover, the court found: (1) “[t]he parties’ products are used for different functions and purposes, and are purchased by different classes of customers”;⁷⁹⁶ (2) third-party usage rendered the plaintiff’s mark weak;⁷⁹⁷ (3) “[the plaintiff’s] failure to stop using its mark after receipt of [a] cease and desist letter is not necessarily indicative of bad faith”;⁷⁹⁸ (4) the parties’ markets were unlikely to converge;⁷⁹⁹ and, finally (5) “the degree of care likely to be exercised by purchasers weighs against a finding of likelihood of confusion.”⁸⁰⁰

e. Unlikelihood of Confusion: Preliminary Relief

As always, the heightened standard applicable to plaintiffs’ claims of likely confusion on motions for preliminary injunctions led to a number of those motions falling short. For example, the First Circuit declined to overturn as an abuse of discretion the denial of a preliminary injunction motion brought by the owner of the PEOPLE’S, PEOPLES FEDERAL, and PEOPLES FEDERAL SAVINGS BANKS marks for banking services against a competitor using the PEOPLE’S UNITED BANK mark in adjacent geographic areas.⁸⁰¹ The two legal bases for the plaintiff’s appeal

792. *Id.* at 1163.

793. *Id.*

794. *Quoted in id.*

795. *Id.* at 1162-63.

796. *Id.* at 1164.

797. *Id.* at 1165.

798. *Id.*

799. *Id.*

800. *Id.* at 1166.

801. *See Peoples Fed. Sav. Bank v. People’s United Bank*, 672 F.3d 1 (1st Cir. 2012).

were that the district court had improperly required the plaintiff to demonstrate a bad-faith intent on the defendant's part and the existence of actual confusion.⁸⁰² The court of appeals held that that had not been the case,⁸⁰³ and it additionally identified ample evidence in the record that, in its view, supported the district court's denial of the plaintiff's motion. That evidence established, inter alia, differences in the parties' marks as they appeared in the marketplace,⁸⁰⁴ the high degree of care exercise by consumers when choosing financial institutions,⁸⁰⁵ and the lack of both conceptual and commercial strength of the plaintiff's marks.⁸⁰⁶

At the trial court level, the most dramatic example of judicial skepticism toward a preliminary injunction motion came in a case brought by a manufacturer of audio components against one of its former distributors and that company's principal.⁸⁰⁷ Following their termination by the plaintiff, the defendants began online sales of diverted, once-genuine goods produced by the plaintiff, but which differed materially from their authorized counterparts and frequently bore counterfeit serial numbers. Although the lead defendants' website announced that it was the plaintiff's "exclusive online headquarter,"⁸⁰⁸ the court rather improbably concluded that:

First, the claims are not false: no evidence before the Court suggests that other online retailers offer [the Plaintiff's] products. Defendants' "exclusivity" is a consequence of [the Plaintiff's] business model, which disfavors online sales in favor of store room sales by authorized dealers; that is the very underpinning of the parties' legal dispute in this case. It therefore is not misleading to call Defendants the "exclusive"

802. According to the First Circuit's characterization of the disposition of the plaintiff's motion below, "the district court stated it 'would entertain a renewed motion for injunctive relief if evidence was elicited of (1) deliberate encroachment into specific neighborhoods where [the plaintiff] operates and of (2) [the defendant's] actions having caused actual confusion among [the plaintiff's] clientele.'" *Id.* at 12.

803. The court explained that:

[The plaintiff] reads more into the district court's words than is warranted. The district court's findings as to likelihood of confusion were supported by the record before it, which included scant evidence of actual confusion, a proper consideration of [the defendant's] intent in adopting the mark, and a thorough analysis of six other factors. These additional expressions were only an attempt to clarify to the parties the court's willingness to consider future motions for injunctive relief if it were given a more developed record.

Id.

804. *See id.* at 13-14.

805. *See id.* at 14-15.

806. *See id.* at 15-17.

807. *See* Bel Canto Design, Ltd. v. MSS HiFi, Inc., 837 F. Supp. 2d 208 (S.D.N.Y. 2011).

808. *Quoted in id.* at 219.

source, and even the “headquarter,” for [the Plaintiff’s] products online. This language does not suggest a legal or business relationship between [the parties], and would not confuse a consumer into believing that such a relationship exists.

Second, Defendants studiously avoid referring to [the lead Defendant] as an “authorized” . . . dealer [of the Plaintiff’s goods] on their website. I find a meaningful difference between claiming exclusivity—which could (and does) result from factors other than a relationship between the parties—and authorization, which suggests permission and a legal or business relationship of some nature.⁸⁰⁹

The court therefore denied the plaintiff’s motion “because Defendants['] use of the [Plaintiff’s] mark . . . does not create a possibility of consumer confusion.”⁸¹⁰

Another such unsuccessful motion came in Apple Inc.’s challenge to Amazon.com’s use of “App Store” in connection with the prospective retail sale of downloadable mobile software.⁸¹¹ A key consideration driving the court’s denial of Apple’s bid for interlocutory relief was its conclusion that Apple’s APP STORE mark for related services was a weak one. Apple conceded that the mark was not conceptually strong, and the court was not inclined to find that the mark had achieved marketplace recognition. Although Apple was able to rely upon the fact that the parties’ uses were “essentially identical in sight, sound, and meaning,”⁸¹² as well as its showing that the parties’ lines of business were similar, the remaining likelihood-of-confusion factors either were neutral, or, in the case of the parties’ marketing channels, favored Amazon.com.⁸¹³

Perceived mark weakness drove another refusal to grant a preliminary injunction motion as well.⁸¹⁴ The mark in question was IMPORTED FROM DETROIT, which appeared in a two-minute Chrysler television commercial aired during the Super Bowl; Chrysler began selling T-shirts bearing the mark soon afterwards, but it was beaten to the punch by the defendants, who put out their own shirts under the mark the day after the Super Bowl. Having found the mark to be geographically descriptive, the court denied Chrysler’s bid for preliminary injunctive relief in part because:

809. *Id.* at 220.

810. *Id.*

811. *See* Apple Inc. v. Amazon.com Inc., 100 U.S.P.Q.2d 1835 (N.D. Cal. 2011).

812. *Id.* at 1841.

813. *See id.*

814. *See* Chrysler Grp. v. Moda Grp., 796 F. Supp. 2d 866 (E.D. Mich. 2011).

[Chrysler] has a likely descriptive mark that is not afforded the broad protection that it seeks. The descriptive [IMPORTED FROM DETROIT] phrase does not support a finding of uniqueness, despite the millions of dollars [Chrysler] has spent on the campaign. Even if the mark is ultimately determined to be strong in the automotive industry, Defendants correctly argue that any protection is not applicable to clothing.⁸¹⁵

The defendants additionally benefitted from their showings that the parties presented their respective marks differently in the marketplace,⁸¹⁶ “that the parties have different customers and market their goods and services in different ways,”⁸¹⁷ and that, despite the defendants’ awareness of Chrysler’s use, the geographic descriptiveness of the disputed mark meant that “it would be unreasonable to infer [a bad-faith] intent here.”⁸¹⁸

A finding of mark weakness also drove the denial of a motion for a temporary restraining order brought by the owner of the federally registered MANGO’S TROPICAL CAFE and MANGO’S TROPICAL BAR marks for bar, nightclub, and restaurant services.⁸¹⁹ The target of the motion was a recently opened bar operating under the MANGO MARTINI mark, which the defendants had adopted without the precaution of conducting a trademark availability search.⁸²⁰ Although perhaps living dangerously, the defendants nevertheless successfully fended off the plaintiff’s motion, in part because of their submission to the court of printouts of third-party websites showing the use of other MANGO’S marks in connection with competitive or related services. In light of the expedited briefing schedule necessitated by the relief sought by the plaintiff, the court did not fault the defendants for failing to document the actual use of the third-party marks in question, but instead held that “these printouts provide *prima facie* evidence that the term ‘Mango’ or a variation thereof is often used in connection with restaurant and bar services.”⁸²¹ This led to a finding that “the evidence before us shows that the third-party use is sufficiently extensive that consumers are not likely to be confused between Mango’s Tropical Cafe and Mango Martini.”⁸²²

815. *Id.* at 875.

816. *See id.* at 876.

817. *Id.*

818. *Id.* at 877.

819. *See* *Mango’s Tropical Cafe, Inc. v. Mango Martini Rest. & Lounge, Inc.*, 844 F. Supp. 2d 1246 (S.D. Fla. 2011).

820. *See id.* at 1250.

821. *Id.* at 1254.

822. *Id.*

The court did not stop there, however, but went to make the additional findings that “the words ‘Mango Martini’ create an entirely different connotation when compared to Plaintiff’s Mango’s Marks,”⁸²³ the “[t]here is no evidence of actual confusion in the record before us,”⁸²⁴ and that “[b]ased on the limited record before us, we do not find evidence of a willful intent to trade on Plaintiff’s reputation and goodwill,”⁸²⁵ each of which also weighed against a finding of liability.

A claim that competing uses of the GROUT SHIELD mark in connection with grout-related products were likely to cause confusion also failed to make the grade.⁸²⁶ There were a number of considerations underlying the failure of the plaintiff’s motion for a preliminary injunction, not the least of which was the court’s finding that the mark was descriptive and lacked secondary meaning. Another was that, “[a]lthough there is an obvious similarity between the marks in the use of the term Grout Shield, there are also some substantial dissimilarities in the context in which the marks are displayed”⁸²⁷ So too did the competitive proximity of the parties’ products weigh in the defendant’s favor, because the “defendant’s product is marketed as an additive while plaintiff’s products are intended for topical application.”⁸²⁸ The court’s findings under most of the remaining likelihood-of-confusion factors also fell into line in support of a finding of nonliability, including that the plaintiff’s proffered six examples of actual confusion were “*de minimis* . . . in light of plaintiff’s sales,”⁸²⁹ that the defendant had not acted in bad faith,⁸³⁰ and that the quality of the parties’ products was comparable.⁸³¹ It might be true, as the plaintiff argued, that the parties’ customers were unsophisticated, but that consideration did not warrant a grant of the plaintiff’s motion.⁸³²

A preliminary injunction motion in a Florida district court forced the issue of whether an incontestably registered mark is necessarily strong for purposes of the likelihood-of-confusion

823. *Id.* at 1255.

824. *Id.* at 1256.

825. *Id.*

826. *See* Grout Shield Distribs., LLC v. Elio E. Salvo, Inc., 824 F. Supp. 2d 389 (E.D.N.Y. 2011).

827. *Id.* at 414.

828. *Id.*

829. *Id.* at 415.

830. *See id.* at 416-17.

831. *See id.* at 417-18.

832. *See id.* at 418-19.

inquiry.⁸³³ Notwithstanding at least some Eleventh Circuit authority adhering to that rule,⁸³⁴ the district court chose to follow other case law from its reviewing court holding that incontestability merely “enhance[d]” the strength of the plaintiff’s THE VILLAGES mark for real estate development and construction services.⁸³⁵ That presumptive strength, however, was outweighed by the defendant’s showing that “the terms ‘Village’ and ‘Villages’ are widely used in Florida and throughout the United States both by businesses in the real estate industry and in other industries.”⁸³⁶ The court found further support for its finding of weakness in the fact that “the United States Patent and Trademark Office (‘USPTO’), in refusing one of Plaintiff’s applications for trademark registration, noted that ‘[t]he term village, or its plural, is a common industry term which describes or names a residential community.’”⁸³⁷ These considerations helped to prevent the plaintiff from demonstrating that the defendant’s competitive use of VILLAGE OF LAKESIDE LANDINGS and VILLAGES OF LAKESIDE LANDINGS was likely to cause confusion, as did the differing appearances of the parties’ marks in the marketplace,⁸³⁸ “Plaintiff’s position before the USPTO when it was distinguishing other ‘Village(s)’ formative marks from its mark ‘The Villages,’”⁸³⁹ the sophistication of the parties’ targeted

833. See *Holding Co. of the Villages Inc. v. Power Corp.*, 101 U.S.P.Q.2d 1528 (M.D. Fla. 2012).

834. See *Caliber Auto. Liquidators, Inc. v. Premier Chrysler, Jeep, Dodge, LLC*, 605 F.3d 931, 939 (11th Cir. 2010); *Dieter v. B & H Indus. of Sw. Fla., Inc.*, 880 F.2d 322, 328-29 (11th Cir. 1989).

835. See *Holding Co. of the Villages*, 101 U.S.P.Q.2d at 1531 (citing *Frehling Enters. v. Int’l Select Grp.*, 192 F.3d 1330, 1336 (11th Cir. 1999)).

836. *Id.* The court took an aggressively favorable view of the defendant’s evidence on this point: “In the likelihood of confusion analysis, the Court considers all third party use, not just use in the same industry, to determine whether a mark is weak or strong.” *Id.* at 1531 n.7.

837. *Id.* at 1532 (alteration in original).

838. See *id.* (“Defendant does not use the mark ‘The Villages,’ and it uses [a] mark comprising of four words, ‘Village(s) of Lakeside Landings,’ which appears in a different font, color, and style from Plaintiff’s, and in connection with a stylized image of a sailboat.”).

839. On this issue, the preliminary injunction record established that:

Plaintiff argued that the other marks (“The Village at Bear Trap Dunes” and design, “The Villages of Taylor” and design, “The Village” (and design), “The Villages at Turning Stone” and “The Villages at Turning Stone” and design, “contain very different words, and four out [of] five include unique designs which set them apart from [Plaintiff’s] [m]ark in sound, connotation, overall appearance, and accordingly, commercial impression.” Plaintiff cannot now claim that marks in substantially the same form are similar to its own mark.

Id. (second and third alteration in original) (citation omitted).

customers,⁸⁴⁰ the defendant's apparent good faith,⁸⁴¹ and the absence of any actual confusion among customers.⁸⁴²

More typically, denials of preliminary injunction motions came in cases in which the absence of evidence of actual confusion was treated as a neutral factor. That was the approach taken by a district court entertaining a challenge by the owner of the registered THE ELF ON THE SHELF mark for children's books and dolls to a self-styled parody of the plaintiff's books entitled *The Elf Off the Shelf*.⁸⁴³ The court's grant of the defendant's motion for summary judgment did not turn on the First Amendment protection that the defendant's work might have enjoyed before another court; rather, the court limited its analysis to a straightforward application of the likelihood-of-confusion test, albeit one that took into account the parodical nature of the defendant's work.

On the plaintiff's side of the scale, its mark was strong, the title of the defendant's book was "at first glance" similar to the plaintiff's mark, and the parties' goods were closely similar and targeted toward the same purchasers (even if not the same reading

840. *See id.* at 1533.

841. *See id.*

842. The plaintiff introduced affidavit testimony from a former resident of its real estate development that, based on the similarity of the parties' marks, he assumed the plaintiff had purchased one of the defendant's developments. The court was unimpressed: "The Court does not give this evidence of actual confusion much, if any, weight. Not only is it self-serving, but [the witness] is not even a 'customer' nor a 'potential buyer' of Plaintiff's services. The record in its present posture is devoid of any actual *customer* confusion." *Id.* at 1534.

843. *See CCA & B, LLC v. F + W Media Inc.*, 819 F. Supp. 2d 1310 (N.D. Ga. 2011). The court described the books sold by the parties in the following manner:

The story in [the plaintiff's primary book] explains how Santa keeps track of who's naughty and nice each year and what are their wishes: by employing millions of 'scout' elves around the world to monitor children's behavior. . . .

. . . .

[The defendant's] book tells a very different story but related story. The elf narrator describes himself as a discount elf (sprung from a marked-down copy of [the plaintiff's] book who is supposed to help Santa determine who's been naughty and nice. But the stories quickly diverge from this common ground. In [the defendant's book], the elf warns that he'll be "pissed" if children give him a name he dislikes. Once he's given a lousy first name, Horace the Elf decides he's not going to be a good elf. Rather, he's going to drink spiked eggnog, try to make his "move" on Barbie while Ken's away at the Malibu dream house, watch pornography in the middle of the night, change the children's gift list so there's "something in it for me," and finally, run away to the tropics rather than return to the North Pole.

The book jacket tells readers Horace decided to accept the "shelf gig" because it was a chance to leave his parents' basement for the first time in two hundred and sixty seven years. Prior to "being sent out to spy on and judge small children, he worked the assembly line in Santa's Workshop."

Id. at 1316 (citations omitted).

audiences). Yet the significance of each of these factors was diminished by the purpose of the defendant's work, which led the court to conclude, *inter alia*, that "with parody a strong mark reduces the likelihood of confusion . . ." ⁸⁴⁴ It also found that "[r]easonable consumers faced with purchasing a children's book are likely to open the book to see what they are buying for their children" and therefore likely to see the off-nature of the defendant's book and disclaimers appearing on its cover. ⁸⁴⁵ Likewise, "[b]ecause some amount of similarity is required to accomplish the parody, it is difficult to imagine how Defendant could have created its parody without a book . . ." ⁸⁴⁶ Finally, the court accepted the defendant's argument that "its intention was to capitalize on a current successful trend of publishing adult parodies of children's books"; ⁸⁴⁷ that factor also weighed in the defendant's favor because "[a] real intent to parody may be strong evidence that alleged infringement was not motivated by an intent to confuse the public." ⁸⁴⁸

The inevitable motion for preliminary injunctive relief against an Internet "gripe site" also failed to bear fruit. ⁸⁴⁹ The site was targeted by two different plaintiffs, who alleged that the defendant had allowed third-party consumers to post false information about the plaintiffs' goods and services, had used the plaintiffs' marks in domain names that also included the defendant's name, ⁸⁵⁰ and additionally, had manipulated websites on which the marks appeared so that the sites appeared higher in search-engine results than they otherwise would. ⁸⁵¹ In concluding that confusion

844. *Id.* at 1325.

845. *Id.* at 1326.

846. *Id.* at 1327.

847. *Id.* at 1328.

848. *Id.*

849. *Ascentive, LLC v. Opinion Corp.*, 842 F. Supp. 2d 450 (E.D.N.Y. 2011).

850. The primary marks the plaintiffs sought to protect were ASCENTIVE and DOMIA; the corresponding domain names registered by the plaintiff were *ascentive.pissedconsumer.com* and *domia.pissedconsumer.com*. *See id.* at 462.

851. According to the court:

Plaintiffs contend that [the defendant's] high ranking in search engine results lists is a product of [the defendant's] improper "search engine optimization" ("SEO") practices—practices that make [the defendant's] content appear to be more relevant to a search engine's algorithm than the site's content actually is. These practices include (1) creating web sites with no content and using them solely to create links to [the defendant's] site; (2) making excessive use of brand names (and trademarks) in website text, web addresses, and webpage code; (3) reposting the same consumer complaints on multiple websites so that the complaints appear new when in fact they are outdated; and (4) creating Twitter accounts that simply post links to outdated reviews at [the defendant's] site].

Id. at 456 (footnote omitted).

was unlikely, the court found it significant that “[the defendant] is not using plaintiffs’ marks as source identifiers at all.”⁸⁵² Addressing the defendant’s registration of domain names incorporating the plaintiffs’ marks and the defendant’s own mark, the court noted that “[w]here . . . the domain name of a website itself . . . makes clear that it is not affiliated with trademarks the domain name incorporates and indeed is critical of the companies that own the marks, the use of the marks does not present a likelihood of confusion”;⁸⁵³ it then found that circumstance to exist because the defendant’s mark was PISSEDCONSUMER and because “the word ‘pissed’ has entered the vernacular as a word instinct with criticism and negativity.”⁸⁵⁴ The court similarly dismissed the plaintiffs’ attack on the defendant’s tactics for increasing the placement of their sites in search results because that placement “is ultimately irrelevant because there is no likelihood that a consumer who visits [the defendant’s] pages would believe that [the plaintiffs] sponsored or otherwise approved of the use of their marks on pages with such decidedly negative names and content.”⁸⁵⁵

Finally, the failure of one motion for preliminary injunctive relief turned in significant part on the nature of the industry in which the parties competed.⁸⁵⁶ The plaintiff claimed rights to the FIBEROD mark for fiberglass “sucker rods” used in the production of crude oil, while the defendants used the FINALROD mark for competitive goods. Despite what might otherwise be a superficial similarity between the marks, the court found that they were distinguishable both because they “sound different when pronounced and appear different when written”⁸⁵⁷ and because “the words ‘fiber’ and ‘final’ have distinct meanings in the oil and gas industry”;⁸⁵⁸ the court found additional support for this

852. *Id.* at 462.

853. *Id.*

854. *Id.* at 462-63.

855. *Id.* at 469.

856. *See* John Crane Prod. Solutions Inc. v. R2R & D LLC, 861 F. Supp. 2d 792 (N.D. Tex. 2012).

857. *Id.* at 796.

858. *Id.* As the court explained:

“Fiber” refers to the material—fiberglass—that both sides use to make their sucker rods. “Final” refers to the product’s quality, reliability, or longevity. Defendants offer the undisputed assertion that they selected the term “final” to suggest that their sucker rod is of such high quality that it is the “final” one that an oil producer will ever need. This meaning is substantiated by defendants’ trademark application for the phrase “The FinalRod You Will Ever Need.”

Id.

conclusion in third-party use of similar marks⁸⁵⁹ and the differing presentations of the parties' marks in the marketplace.⁸⁶⁰ The parties' direct competition in that particular industry also meant that:

The sophistication of the purchasers and the fact that fiberglass sucker rods must be designed for a specific well using information provided by the purchaser make it unlikely that a purchaser would buy a fiberglass sucker rod from defendants thinking that he was acquiring it from [the plaintiff], or that defendants' and [the plaintiff's] products were somehow associated.⁸⁶¹

Although the plaintiff was able to cite to the strength of its mark,⁸⁶² the similarity of the parties' products,⁸⁶³ and the identity of the parties' purchasers,⁸⁶⁴ those considerations did not entitle it to preliminary injunctive relief.⁸⁶⁵

f. Unlikelihood of Confusion: As a Matter of Law

Some district courts proved willing to reach findings of no likelihood of confusion at the pleadings stage.⁸⁶⁶ For example, the plaintiff in one action leading to this result was a street musician who performed in Times Square wearing only a hat, guitar, underwear, and boots.⁸⁶⁷ For their part, the defendants produced and broadcast a soap opera episode featuring one character serenading another while similarly clad in a hat, guitar, and underwear. The court accepted as true the plaintiff's allegations that he owned a protectable mark in his appearance for purposes of the defendants' motion to dismiss. It defined that mark narrowly, however, limiting it to "several distinctive characteristics, namely the presence of 'Naked Cowboy' on the [plaintiff's] hat, briefs, and guitar, as well as the [appearance of] 'Tips' or '\$' on the [plaintiff's] boots."⁸⁶⁸ Because the plaintiff's complaint failed to allege that the nearly-naked character in the

859. *See id.* at 796.

860. *See id.*

861. *Id.* at 799.

862. *See id.* at 795.

863. *See id.* at 796-97.

864. *See id.* at 797.

865. *See id.* at 801.

866. *See, e.g.,* Potter v. Toei Animation Inc., 839 F. Supp. 2d 49, 53 (D.D.C. 2012) (granting motion to dismiss for failure to state a claim based on absence of allegations of likely confusion in complaint).

867. *See* Naked Cowboy v. CBS, 844 F. Supp. 2d 510 (S.D.N.Y. 2012).

868. *Id.* at 516-17.

soap opera featured these same indicia, that there had been any actual confusion involving the character, that the parties were in the same lines of business, that the defendants had acted in bad faith, or that their show was of low quality, his likelihood-of-confusion-based causes of action fell short as a matter of law.⁸⁶⁹

The resale of genuine goods will not ordinarily lead to a finding of likely confusion, and the Fifth Circuit applied this rule in the context of advertising materials for those goods en route to a holding of nonliability as a matter of law.⁸⁷⁰ The counterclaim defendant in an appeal before that court was a commercial printer that had prepared promotional materials for car dealerships selling used vehicles bearing the Ford Motor Company's marks. Because the dealerships themselves were not affiliated with Ford, the district court found as a factual matter that the printer's preparation of materials featuring Ford's marks infringed the marks. Noting that "[t]he promotional products presented Ford's trademarks along with several other domestic automakers' corporate logos . . .,"⁸⁷¹ the Fifth Circuit reversed. As it explained:

[T]hese rival automakers all compete with Ford in both new and used automobile sales. The grouping of several competitors extinguishes any possible confusion, particularly where nothing in the district court's findings or in the record suggests that these used car dealers displayed the Ford marks elsewhere on their lots or showroom floors.⁸⁷²

As always, findings of noninfringement as a matter of law also came on defense motions for summary judgment, even when the responses to those motions adduced at least some evidence of actual confusion.⁸⁷³ For example, one counterclaim defendant successfully escaped a finding that confusion was likely between its SINUSENSE mark for sinus irrigation products and a direct competitor's SINU CLEANSE mark.⁸⁷⁴ The summary judgment record included an apparently misdirected text message, an online auction featuring a photograph of the counterclaim defendant's products coupled with the counterclaim plaintiff's mark, and

869. *See id.* at 517-18.

870. *See Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526 (5th Cir. 2012).

871. *Id.* at 534.

872. *Id.*

873. *See, e.g., Gameologist Grp. v. Sci. Games Int'l, Inc.*, 838 F. Supp. 2d 141, 162 (S.D.N.Y. 2011) (discounting plaintiff's proffered "anecdotal, hearsay evidence of confusion on the part of friends and family members of [the plaintiff's] current or former members" en route to holding that defendants' BA-DA-BLING mark for lottery tickets was not likely to be confused with plaintiff's BLING BLING 2002 mark for online casino games, board games, and related goods and services).

874. *See Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262 (D. Colo. 2012).

declaration testimony by a consumer of her confusion between the marks, but the court found these to be “only de minimis evidence of actual confusion which does not establish a genuine issue of material fact regarding the likelihood of actual confusion.”⁸⁷⁵ The counterclaim defendant also benefitted from the court’s conclusions that the counterclaim defendant had submitted convincing survey evidence that confusion was unlikely,⁸⁷⁶ that the sight, sound, and meaning of the parties’ marks were distinguishable,⁸⁷⁷ that the parties’ customers exercised a high degree of care,⁸⁷⁸ and that the plaintiff’s mark was both conceptually and commercially weak.⁸⁷⁹

If the arguable *existence* of actual confusion did not preclude a finding of noninfringement as a matter of law, its *absence* only worked to the advantage of defendants. An example of this phenomenon occurred in an action in the District of New Jersey between the owner of the FANCASTER mark for a website with sports-related content and defendants using the FANCAST mark for a website featuring full-length premium mainstream media.⁸⁸⁰ For the most part, the court applied the Third Circuit’s likelihood-of-confusion factors in a standard manner, finding, inter alia, that “the appearance, sound, and meaning of the . . . marks are sufficiently distinct therefore [to] present [a] minimal risk of confusion,”⁸⁸¹ that “[w]hile both sites offer sports-related video content, that fact alone is not a basis on which to conclude that a consumer would reasonably see that content as related,”⁸⁸² and that “there is virtually no overlap in the parties’ marketing efforts for their respective sites.”⁸⁸³ Because the plaintiff’s complaint sounded in reverse confusion, the court held that the weakness of the plaintiff’s mark might not necessarily be an obstacle to the plaintiff’s claims but that it was in the case at hand,⁸⁸⁴ that the plaintiff had failed to prove that the defendants had deliberately intended to push the plaintiff out of marketplace,⁸⁸⁵ and that the

875. *Id.* at 1274.

876. *See id.* at 1275.

877. *See id.* at 1271-73.

878. *See id.* at 1276-77.

879. *See id.* at 1277-79.

880. *See Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380 (D.N.J. 2011).

881. *Id.* at 412.

882. *Id.* at 419.

883. *Id.* at 420.

884. *See id.* at 417.

885. *See id.* at 417-19. This was true despite the plaintiffs’ showings that the defendants were aware of the plaintiff’s mark before launching their own and that the defendants had continued to use their mark after receiving objections from the plaintiff. *See id.* at 418-19.

absence of anecdotal evidence of actual confusion coupled with survey evidence that confusion was *not* likely favored a grant of the defendants' motion for summary judgment.⁸⁸⁶

The absence of actual confusion weighed in favor of another defense motion for summary judgment.⁸⁸⁷ The plaintiff in the action lost its claimed "gadget" and "website gadget" marks for downloadable software applications in the content management area to findings of genericness as a matter of law, but its misfortunes did not stop there; instead, the court reached the additional conclusion that no reasonable jury could find likely confusion between those claimed marks and the defendant's use of "gadget" for "mini-applications available for public distribution and inclusion on a personalized webpage."⁸⁸⁸ With respect to the strength of the plaintiff's designations, the court observed with some understatement that "[a]s the . . . terms 'Gadget' and 'Website Gadget' are generic and used by numerous companies, they are not strong or distinctive marks."⁸⁸⁹ The plaintiff's candid admission that the parties were not competitors did not help its case,⁸⁹⁰ nor did record evidence and testimony demonstrating to the court's satisfaction that "[the plaintiff's] and [the defendant's] sales and distribution channels as well as their advertising media are likewise distinct and disfavor confusion."⁸⁹¹ Worse still, however, was deposition testimony from the plaintiff's proffered actual confusion witness that, as the court characterized it, "he never believed that [the defendant's] gadgets were somehow endorsed by or licensed from [the plaintiff] or that [the plaintiff's] WEBSITE GADGET or any applications [offered by the plaintiff] were endorsed by [the defendant]";⁸⁹² in light of the parties' coexistence in the marketplace for four years, the court found this to be "highly significant."⁸⁹³ With the record further establishing that purchasers of the plaintiff's applications exercised great care,⁸⁹⁴ and that the defendant had not acted in bad faith,⁸⁹⁵ "the Court is compelled to conclude that [the plaintiff's] Lanham Act claims must be dismissed."⁸⁹⁶

886. *See id.* at 421-22.

887. *See* Firefly Digital Inc. v. Google Inc., 817 F. Supp. 2d 846 (W.D. La. 2011).

888. *Id.* at 864 (internal quotation marks omitted).

889. *Id.* at 863.

890. *See id.* at 864.

891. *Id.*

892. *Id.*

893. *Id.*

894. *See id.* at 864-65.

895. *See id.* at 865.

896. *Id.*

An absence of actual confusion “despite many months of coexistence” similarly helped seal the deal for a group of counterclaim defendants accused of infringing the trade dress of a tequila bottle,⁸⁹⁷ although, to be sure, the counterclaim plaintiffs’ showing was deficient in other respects as well. One such deficiency was the weakness of the counterclaim plaintiffs’ trade dress, a consideration driven in part by their failure to prove that the particular collection of features in which they claimed rights ever had been on the market.⁸⁹⁸ Another was what the court found to be the “significant dissimilarity of the [parties’] marks,” which it concluded could “alone . . . be sufficient to establish a lack of likelihood of confusion.”⁸⁹⁹ Still another was the counterclaim plaintiffs’ failure to adduce evidence or testimony of bad-faith copying by the counterclaim defendants.⁹⁰⁰ Although the counterclaim plaintiffs were able to establish that the parties’ goods were directly competitive, that showing did not create a dispute of fact as to the counterclaim defendants’ nonliability for infringement.⁹⁰¹

g. Unlikelihood of Confusion: After Trial

In a case that might have been resolved under the rubric of the nominative fair use or the innocent printer defense recognized by Section 32(2)(A),⁹⁰² the Fifth Circuit affirmed a finding of no likelihood of confusion in an action against a printer that had supplied promotional material to authorized dealerships of the Ford Motor Company over Ford’s objections.⁹⁰³ At trial, Ford

897. See *E & J Gallo v. Proximo Spirits, Inc.*, 103 U.S.P.Q.2d 1640, 1654 (E.D. Cal. 2012) (“The absence of any confusion, despite the vast number of consumer impressions that have occurred since [the counterclaim defendants] launched [their bottle], strongly supports a finding that no likelihood of confusion is likely to occur in the future.”). In addition to pointing out the absence of anecdotal evidence of actual confusion, the counterclaim defendants supported their motion for summary judgment with expert testimony that a survey of 216 respondents had yielded only a single positive response. See *id.* at 1654-55.

898. See *id.* at 1653.

899. *Id.* In reaching this conclusion, the court identified a laundry list of differences between the parties’ bottles, ultimately determining that they had only “family shield” graphics and trapezoidal shapes in common. It found with respect to the former that the shields were “different shapes and sizes”; as to the latter, it found that “there are numerous trapezoidal shaped tequila bottles in the crowded market” and that “[t]he[counterclaim plaintiffs] cannot rely on this feature alone, particularly when this feature is dissimilar in size, shape, dimension, and overall appearance to that of [the counterclaim defendants’] bottle.” *Id.* at 1653-54.

900. See *id.* at 1655.

901. See *id.* at 1656.

902. See 15 U.S.C. § 1114(2)(A) (2012).

903. See *Nat’l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526 (5th Cir. 2012).

argued that a license agreement between it and its dealers circumscribed the dealers' ability to order advertisements from the printers of their choice. The license incorporated a style manual, however, and, according to the Fifth Circuit's reading of it, the manual did not "direct how Ford's dealers are to meet their advertising and visual media needs; it neither requires dealers to purchase advertising materials through Ford-licensed printers, nor prohibits them from ordering these materials from outside sources."⁹⁰⁴ Under the circumstances, "Ford's authorized dealers were free to meet their advertising needs through any vendors of their choosing provided that such printed materials complied with the [manual's] manner and form requirements."⁹⁰⁵ This in turn meant that "the Ford dealers' use of [the counterclaim defendant's] printed materials was unlikely to result in consumer confusion."⁹⁰⁶ The district court's finding of nonliability therefore withstood appellate scrutiny.

A similar finding of no likelihood of confusion, albeit for different reasons, came in a suit brought by the owner of the chain of WESTERN SIZZLIN' restaurants against the successor in interest to a former franchisee of the plaintiff.⁹⁰⁷ When the parties were unable to reach an agreement that would allow the defendant to become a franchisee in the plaintiff's system, the defendant transitioned to the SIZZLIN GRILL mark, and, according to the court, "distinguished the Restaurant from a [WESTERN SIZZLIN'] operation in three ways: (1) it changed the Restaurant's name and sign, (2) it altered the exterior and interior of the Restaurant, and (3) it changed the Restaurant's operations," by becoming "a flat-price, low-cost super buffet."⁹⁰⁸ The plaintiff argued that these changes were insufficient to avoid a likelihood of confusion, but the court disagreed. Although acknowledging that the plaintiff's mark was "relatively strong," it found that "[t]he primary phrases 'Western Sizzlin' and 'Sizzlin Grill' contain a different number of syllables and different sounds."⁹⁰⁹ Beyond that consideration, "[t]he exterior of the [defendant's] building and the awning are so distinct from the 'Western Sizzlin' color scheme that customers will be aware of the differences between the two restaurants" and "[t]he building's interior is also sufficiently distinct to dispel

904. *Id.* at 535.

905. *Id.* at 536.

906. *Id.* at 535.

907. *See* *W. Sizzlin Corp. v. Pinnacle Bus. Partners LLC*, 103 U.S.P.Q.2d 1148 (M.D. Fla. 2012).

908. *Id.* at 1150.

909. *Id.* at 1151.

customer confusion.”⁹¹⁰ The absence of an overlap in the parties’ customer base,⁹¹¹ differences in their operations,⁹¹² the “negligible amount of actual consumer confusion” documented by the plaintiff,⁹¹³ and the defendant’s apparent good faith,⁹¹⁴ also weighed in the defendant’s favor.

Close attention to the relevant factors similarly produced a bench finding of noninfringement in a dispute between producers of grip products for tennis rackets.⁹¹⁵ The plaintiff owned a federal registration of the color blue for moisture-absorbing overgrips, while the defendant sold blue gauze tape. The court found the plaintiff’s mark to be distinctive independent of a registration covering it, but that was not enough to establish the defendant’s liability. Rather, the court found, the defendant used a “very distinguishable” shade of blue, and its gauze tape had a different appearance and feel.⁹¹⁶ Moreover, because of their differing absorbent and cushioning properties, even the plaintiff’s president admitted that consumers would prefer the defendant’s product over that of his company. The trial record also established that “[t]he packaging of the products makes it virtually impossible to confuse the source of [each] product as it is offered for sale”⁹¹⁷ and that “there is no evidence of actual confusion.”⁹¹⁸ Although the parties’ advertising strategies might be similar, a balancing of the relevant factors led to the conclusion that “there is little likelihood of confusion”⁹¹⁹

910. *Id.*

911. *See id.* (“The [defendant’s] Restaurant’s customer base is primarily that of tourists visiting Disney World and other Central Florida attractions. [The plaintiff,] on the other hand, has no restaurants in the State of Florida. The nearest [of the plaintiff’s] restaurant[s] is in Myrtle Beach, South Carolina and there is no evidence to suggest any overlap in these customer bases.”).

912. *See id.* at 1151-52 (“The [defendant’s] restaurant operates as a low-cost, flat-rate buffet, where a customer’s only option is to pay for the entire buffet. ‘Western Sizzlin,’ on the other hand, is a traditional family style restaurant that offers a selection of steaks, available on a menu separate from the buffet.”).

913. In support of its claim of actual confusion, the plaintiff submitted two e-mail messages, but, according to the court, it “was unable to verify the emails’ validity.” *Id.* at 1152. In addition, “[e]ven if the two emails were admitted, they show only a negligible amount of actual customer confusion considering [the defendant] had about 1.6 million customers from 2005-2010.” *Id.*

914. *See id.* (“Although [the plaintiff] devotes much of its post-trial brief to [the defendant’s] intent to benefit from the [WESTERN SIZZLIN’] trademark, there was no evidence presented at trial to support this claim.”).

915. *See Unique Sports Prods. Inc. v. Ferrari Imp. Co.*, 100 U.S.P.Q.2d 1948 (N.D. Ga. 2011).

916. *Id.* at 1952.

917. *Id.*

918. *Id.*

919. *Id.*

4. Exhaustion of Rights and Diverted Goods

Courts hearing cases involving diverted goods such as parallel imports have long held that if those goods are materially identical to their authorized counterparts, a finding of likely confusion will not lie:

As a general matter, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner. This observation is sometimes referred to as the “first sale doctrine,” insofar as it recognizes that the right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product. The Lanham Act does not give mark holders the right to control subsequent, non-authorized resales, as long as the product sold is genuine.⁹²⁰

Nevertheless, this rule carries reduced force, and, indeed, may not apply at all if the diverted goods differ in some material way from their authorized counterparts.⁹²¹ One case finding this exception to be appropriate involved mushrooms grown by the plaintiff in both Japan and the United States and the packaging of which bore the plaintiff’s marks.⁹²² Those intended for the United States market were cultivated under special conditions so that they could be certified as “organic” and were shipped in packages bearing English-language labels. In contrast, those intended for the Japanese market were not grown under organic condition and were shipped in Japanese-language packaging. When the California-based defendant began to import into the United States mushrooms produced by the plaintiff but intended only for the Japanese market, the plaintiff filed suit in the Central District of California, alleging infringement and common-law unfair competition.

The parties filed cross-motions for summary judgment, but only the plaintiff’s motion was granted in salient part. Although applying the standard Ninth Circuit likelihood-of-confusion factors later in its opinion, the court set them aside in favor of an alternative test for liability: “[I]n the context of gray market goods, the likelihood of confusion relates to the existence of material differences between the allegedly infringing good and the

920. *Bel Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208, 222 (S.D.N.Y. 2011) (citations omitted) (internal quotation marks omitted).

921. *See, e.g., TracFone Wireless, Inc. v. PAK China Grp.*, 843 F. Supp. 2d 1284, 1296-98 (S.D. Fla. 2012) (entering default judgment on plaintiff’s allegations that defendants had removed warranty information from, and repackaged, plaintiff’s cellular phones).

922. *See Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013 (C.D. Cal. 2011).

registrant's product."⁹²³ It then defined "material differences" in the following manner:

Material differences can relate to a product's quality control standards, packaging, and price. Moreover, material differences can pertain to including nutritional information on labeling and packaging.

Different quality control standards also qualify as material differences. Lastly, different marketing strategies and techniques have been evaluated in determining whether material differences exist between a registrant's product and the allegedly infringing gray good.⁹²⁴

The court had little difficulty determining that, although genuine, the goods sold by the defendant were indeed materially different. To begin with, "[the plaintiff's] U.S. produced and imported mushrooms are grown under conditions that are approved as meeting the Organic Certifier's standards," while there was no dispute that the mushrooms sold by the defendant did not comply with those standards.⁹²⁵ Beyond this, "the labeling and packaging information [of the goods in question] have language and design differences."⁹²⁶ Because the differences in information included the varying use of the metric system and customer-support information that was inaccurate in the United States, they also were found to be material as a matter of law.⁹²⁷ Finally, although the temperature of the authorized mushrooms was carefully controlled until they reached the United States market, the same was not true for the diverted goods sold by the defendant.⁹²⁸ Summary judgment of liability was therefore appropriate because, "while there is no mechanical way to determine the point at which a difference becomes 'material,' the threshold of materiality is always quite low in gray goods cases."⁹²⁹ Moreover, the same result held under a standard infringement analysis as well.⁹³⁰

Material differences also were found in a case brought by a manufacturer of electronic audio components against online retailers of diverted goods originally produced by the plaintiff.⁹³¹

923. *Id.* at 1024.

924. *Id.* at 1025 (citations omitted).

925. *Id.* at 1026.

926. *Id.*

927. *See id.* at 1026-27.

928. *See id.* at 1027.

929. *Id.* at 1028.

930. *See id.* at 1028-31.

931. *See Bel Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208 (S.D.N.Y. 2011).

The preliminary injunction record established that the goods bore counterfeit external serial numbers and that, as a result, the plaintiff refused to honor the warranties on those goods. Invoking New York state law, the court held that the differing warranty protection for the goods sold by the defendants would not render the goods materially different if the denial of protection was based “solely” on the fact that the goods had been resold by the defendants.⁹³² The plaintiff’s refusal to provide warranty services was not based only on that consideration, however; rather, it also rested on the “quality control aspect of accurate external serial numbers.”⁹³³ As to the significance of that issue, the court noted that “[u]nauthorized resales of trademarked goods that interfere with the mark holder’s ability to exercise quality control are, like resales of [physically] materially different goods, outside the protection of the first sale doctrine.”⁹³⁴ Although it might be true that purchasers of goods sold by the defendants could ascertain the proper serial numbers by “cracking the case[s]” of those goods to see the serial numbers displayed inside, it was unreasonable to expect consumers to take that step.⁹³⁵ That the defendants apparently themselves cracked the cases of certain goods intended for overseas sales to perform voltage conversions on them was only further evidence of the plaintiff’s entitlement to a preliminary injunction.⁹³⁶

5. Survey Evidence of Actual or Likely Confusion

Although doing so in an opinion that did not describe the methodology of the particular survey involved, the Fourth Circuit concluded that survey evidence of confusion adduced by a plaintiff was sufficiently credible that it merited a vacatur of the grant of a

932. *See id.* at 224-28. On this issue, the court looked to Section 369-b of New York General Business Law, which provides that:

A warranty or guarantee of merchandise may not be limited by a manufacturer doing business in this state solely for the reason that such merchandise is sold by a particular dealer or dealers, or that the dealer who sold the merchandise at retail has, since the date of sale, either gone out of business or no longer sells such merchandise. Any attempt to limit the manufacturer’s warranty or guarantee for the aforesaid reason is void.

N.Y. Gen. Bus. Law Ann. § 369-b (West 2012).

933. *See Bel Canto Design*, 837 F. Supp. at 229.

934. *Id.*

935. *See id.* at 232. The court identified two bases for its conclusion on this point: (1) “[u]nless the [serial number] alteration had been disclosed to [a consumer], he would have no reason to inspect the interior serial number”; and (2) “even if Defendants’ customers knew to look for interior serial numbers, and compare them to the exterior numbers, any effort to do so would void their warranty.” *Id.*

936. *See id.* at 232-33.

defense motion for summary judgment.⁹³⁷ There were two bases for the appellate court's holding that the district court had erred in discounting the plaintiff's survey evidence. The first was that the 17% percent rate of positive responses was "clear evidence of actual confusion for purposes of summary judgment."⁹³⁸ The second was that the district court had dismissed the significance of the survey results because they measured whether respondents believed the defendant had "endorsed" the goods sold by third parties that bore counterfeit imitations of the plaintiff's marks: On this issue, the court held that "trademark infringement creates a likelihood of 'confusion not only as to source, but also as to affiliation, connection or sponsorship.'"⁹³⁹

In an opinion that contained at least *some* indication of how a survey at issue had been conducted, the Eighth Circuit held that a 19 percent response rate was sufficiently reliable and probative that it supported a bench verdict of infringement.⁹⁴⁰ Both parties were in the banking business, with the plaintiff using the FIRST NATIONAL, FIRST NATIONAL BANK, and FIRST NATIONAL BANK IN SIOUX FALLS marks and the defendant using that the FIRST NATIONAL BANK SOUTH DAKOTA mark. The mark used as a control in a survey commissioned by the plaintiff was FIRST BANK & TRUST, to which the defendants objected on the ground that it did not include the words "first national." The court made short work of this objection, holding instead that the control properly shared as many characteristics with the stimuli as possible with the exception of the characteristic whose influence was being tested.⁹⁴¹ It also rejected the defendants' argument that the survey should have focused more on the commercial banking market served by the defendants and not the retail banking market served by the plaintiff; as to that contention, not only did the trial record show that the defendants were moving into the retail market serviced by the plaintiff, but the defendants' own survey expert acknowledged that the survey results showed an 11 percent confusion rate even in that market.⁹⁴²

Not surprisingly, the admissibility and significance of survey results were addressed by trial courts as well, and three particularly detailed analyses of those issues at that level led to

937. See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

938. *Id.* at 159.

939. *Id.* (quoting 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 23:8 (4th ed. 2010)).

940. See *First Nat'l Bank in Sioux Falls v. First Nat'l Bank S.D.*, 679 F.3d 763 (8th Cir. 2012).

941. See *id.* at 770.

942. See *id.* at 771.

opinions both admitting in part and excluding in part survey results proffered by the parties. In the case leading to the first one, the parties sought to introduce a total of four surveys to gauge the extent of confusion between the appearances of their respective handbags, each of which encountered varying degrees of judicial hostility.⁹⁴³ A monadic, or *Eveready*, survey commissioned by the plaintiff was the first to fall victim to a motion in limine. Rather than an actual bag sold by the defendants, the stimulus for the survey was a “modified test bag,” the use of which the plaintiff attempted to defend as “‘a conservative measure’ consistent with ‘accepted industry practice’ designed to isolate the effect of the allegedly infringing trade dress.”⁹⁴⁴ Crediting the defendants’ critique of the survey, the court held that “[the defendants’ expert] concludes that ‘[w]e simply do not know how viewers would have responded to the real bag because the real bag was never tested.’ I agree, and find that [the plaintiff] has not shown that survey industry practice justifies the use of a modified test bag.”⁹⁴⁵ Of equal importance, the modified bag “lacked permanent fixtures bearing the [lead defendant’s] name present on the vast majority of allegedly infringing bags that the . . . test bag was to represent.”⁹⁴⁶ Under these circumstances, “the . . . test bag was not representative of the line of allegedly infringing . . . bags . . . ,”⁹⁴⁷ which meant that “this is one of those rare cases where a single—but extremely important—survey flaw supports the exclusion of the survey.”⁹⁴⁸

Unfortunately for the defendants, two of their surveys fared no better. There was no dispute that that surveys had been designed to measure point-of-sale confusion, but it was also undisputed that the plaintiff was pursuing a finding of liability only under a post-sale confusion theory. As the court characterized his testimony, an expert retained by the plaintiff pointed out that:

[B]ecause of the vast differences between consumer behavior in the point-of-sale marketplace and the post-sale marketplace, and because of the methodological differences involved in assessing whether a consumer is confused in either situation, a survey whose stated purpose is to assess point-of-sale confusion will have nothing relevant to say about post-sale confusion.⁹⁴⁹

943. *See* Gucci Am., Inc. v. Guess?, Inc., 831 F. Supp. 2d 723 (S.D.N.Y. 2011).

944. *Id.* at 742 (footnote omitted).

945. *Id.* (second alteration in original) (footnote omitted).

946. *Id.* at 744.

947. *Id.* at 745.

948. *Id.*

949. *Id.* at 745.

The court therefore saw no need to entertain the plaintiff's other criticisms of the survey; instead, "the . . . [s]urveys must be excluded under Rule 402 as irrelevant to the extent that they are offered to counter [the plaintiff's] theory of post-sale confusion."⁹⁵⁰

In contrast, a third *Eveready* survey commissioned by the defendants to ascertain the scope of confusion between belt buckles consisting of stylized versions of the letter G was admitted into evidence but only for the purpose of evaluating the defendants' laches defense. Like the defendants' other two confusion surveys, this one sought to measure respondents' perceptions at the point of sale, and its results suggested that respondents associated the mark with the lead defendant far more often than they did with the plaintiff. According to the court, "[t]his . . . implies that [the lead defendant] would be harmed if it were forced to stop using the 'Square G' buckle as the result of the instant suit."⁹⁵¹ It therefore denied a motion in limine by the plaintiff targeting the survey on the ground that the results were relevant to any claim by the defendants to have been prejudiced by the plaintiff's delay in challenging their conduct.⁹⁵²

In the second case, the counterclaim plaintiff commissioned two *Eveready* surveys, the stimulus of one of which was based on a package used by the counterclaim defendants at the outset of the case, and the stimulus of the other featured two variations on the counterclaim defendants' mark and a color scheme adopted by the counterclaim defendants during the pendency of the suit.⁹⁵³ The first survey yielded a net 27.8 percent positive response rate among consumers, while the second yielded net 22.5 percent and 17.8 percent positive response rates.⁹⁵⁴ The counterclaim defendants attacked the surveys' salient questions and their controls, but those attacks proved unsuccessful,⁹⁵⁵ leading the

950. *Id.*

951. *Id.* at 748.

952. *See id.*

953. *See U.S. Polo Ass'n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515 (S.D.N.Y. 2012).

954. *See id.* at 532.

955. The question at issue, which was asked after respondents had been exposed to the stimuli, was "Who or what individual, company or organization makes or puts out this product?" *Quoted in id.* at 535. As the court properly held, "[t]hat form and sequence of questioning has become standard methodology in trademark infringement surveys . . ." *Id.* The control was a package used by a third-party competitor of both parties, to which the counterclaim defendants objected because the third-party's brand was too famous. The court was unsympathetic to this criticism as well, holding that:

[T]he . . . control replicated market conditions in so far as the [third-party's] product is currently on the market, did not contain any of the elements being assessed, provided the survey respondent the opportunity for guessing, contained a symbol of a horse and, with respect to the first survey, was the same color as the test sample.

Id.

court to hold that “[t]he [counterclaim plaintiffs’] surveys are appropriately suggestive of actual confusion.”⁹⁵⁶

The counterclaim defendants’ responsive *Eveready* survey evidence met with a much frostier judicial reception. After testing three marks used by the counterclaim defendants’ mark using two different controls, their survey expert opined that, because the controls triggered a higher response rate than did the counterclaim defendants’ marks, the net confusion rate was zero.⁹⁵⁷ The court found myriad deficiencies in the counterclaim defendants’ showing, concluding with respect to the survey’s methodology that respondents were preconditioned by “screening for those intending to purchase a men’s fragrance in the \$20–\$30 range; the inclusion of cost in [its] first question; and that the study’s first question limited survey responses to [the] ‘organization’ [putting out the product]”;⁹⁵⁸ the court also faulted the survey for allowing respondents “to ‘correct for confusion’ by reading the label back to the interviewer, and allowed . . . to view the test samples for 8-10 minutes while being questioned.”⁹⁵⁹ “More problematically,” the court found, “the report that [the counterclaim defendants’ expert] prepared did not contain a ‘verbatim’ section that set out the responses of interview respondents recorded on the questionnaires by the interviewers during the survey interviews, such that the Court is not able to independently determine whether the responses were properly classified.”⁹⁶⁰ The court then took aim at the survey’s controls, which, it noted, “were improper in that they included the very elements being assessed, namely, the word mark ‘POLO’ and, in the case of [one] control, also a mounted polo player image.”⁹⁶¹ Especially because “[t]he high levels of confusion elicited by [the] controls throw the study’s use into further doubt,”⁹⁶² it was the counterclaim plaintiffs’ survey evidence that proved to be the more convincing.⁹⁶³

The third example of judicial babysplitting came in a case in which the defendants commissioned sequential array and *Eveready* surveys, each of which was intended to distinguish between their FANCAST mark for a website featuring full-length

956. *Id.* at 536.

957. Use of the counterclaim defendants’ marks as stimuli yielded gross positive response rates of 28 percent, 27 percent, and 25.5 percent, while use of the two controls produced positive response rates of 28.5 percent and 32 percent. *See id.* at 533.

958. *See id.* at 533.

959. *Id.* at 535.

960. *Id.* at 534.

961. *Id.* (footnote omitted).

962. *Id.*

963. *Id.* at 535.

premium mainstream media, on the one hand, and the plaintiff's FANCASTER mark for a website with sports-related content, on the other.⁹⁶⁴ Rather than using live versions of the parties' sites as stimuli, the sequential array survey used printouts and static screenshots, and that justified the exclusion of its results. According to the court, "[w]ebsites, particularly those that offer video content, are meant to be viewed on a computer and allow consumers to browse and interact with them via hyperlinks."⁹⁶⁵ In addition, "although viewed on a computer, the static screenshots . . . did not allow respondents to interact with them as they ordinarily would in the marketplace."⁹⁶⁶ The upshot was that "this methodology deprives the [survey] of reliability and therefore merits its exclusion as well as exclusion of any testimony related thereto."⁹⁶⁷

The defendants' *Eveready* survey was better received. Because its infringement claims relied on a reverse confusion theory, the plaintiff argued that the survey's results were meaningless because the defendant's mark had not saturated the market. The court accepted the legal premise of the plaintiff's argument, but nevertheless rejected it as a factual proposition: The record indicated not only that "[the plaintiff] had launched a substantial nationwide advertising campaign for FANCAST in print, television, and online media,"⁹⁶⁸ but also that "the [defendant's] website was available to anyone with an Internet connection."⁹⁶⁹ The court also noted that "[the defendant] cites no authority suggesting that a survey in a reverse confusion case requires screening for those who have *actually* been exposed to the junior user's mark, nor is the Court aware of any such authority."⁹⁷⁰

Another trial court finding survey evidence convincing without serious reservations heard a challenge brought by the owners of the GAP and THE GAP marks for retail clothing store services and clothing and related goods, respectively, against the use of the G.A.P. ADVENTURES mark for travel booking and travel agency services.⁹⁷¹ The plaintiffs' expert developed an *Eveready* survey, in which the test stimulus was a photograph of the defendant's storefront, complete with the defendant's G.A.P. ADVENTURES mark, while the control was the same photograph with the mark

964. See *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380 (D.N.J. 2011).

965. *Id.* at 405.

966. *Id.*

967. *Id.* at 406.

968. *Id.*

969. *Id.*

970. *Id.* at 407.

971. See *Gap Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417 (S.D.N.Y. 2011).

replaced with “Great Adventure People.” As the court interpreted the results, “40.9% of respondents in the test cell were confused into thinking either that (1) the [defendant’s] store was a . . . store [operated by the plaintiffs], or (2) the [defendants’] store was operated by the same company as [the plaintiffs’ stores], or (3) the [defendant’s] store was authorized by [the plaintiffs].”⁹⁷² By comparison, no respondents viewing the control gave positive responses, leading the court to credit the results of the second survey as evidence of confusion as well.⁹⁷³ That the survey had polled respondents exposed to the control over a year after it polled respondents exposed to the stimulus did to affect the weight assigned to its results.⁹⁷⁴

Finally, one particularly successful defense survey addressed the extent of confusion between bottles used by competitors in the tequila market.⁹⁷⁵ It used an *Eveready* format, pursuant to which 432 tequila consumers likely to purchase that beverage within three months were presented with one of the counterclaim defendants’ bottles and asked who or what company put it out. Of the 216 respondents in the test cell, only one expressed confusion attributable to the characteristics of the bottle being measured.⁹⁷⁶ Although the counterclaim plaintiffs retained an expert to criticize the counterclaim defendants’ survey, and although that expert’s testimony was admitted over the counterclaim defendants’ objections, his criticisms at most raised “a question of fact as to the probative value of [the counterclaim defendants’ expert’s] report, findings and conclusion.”⁹⁷⁷ Because “this Court finds [the] survey to be highly probative of the lack of likelihood of consumer confusion”⁹⁷⁸ and because “[e]ven if this Court were to disregard [the] survey, . . . the Court is left with no evidence to support the [counterclaim] plaintiffs’ position that there is a likelihood of confusion,”⁹⁷⁹ those criticisms did not preclude entry of summary judgment in the counterclaim defendants’ favor.⁹⁸⁰

972. *Id.* at 1426.

973. *See id.*

974. *See id.* at 1425. The second expert apparently had been hired initially to conduct a pilot survey in anticipation of litigation, rather than as a testifying expert. *See id.*

975. *See E & J Gallo v. Proximo Spirits, Inc.*, 103 U.S.P.Q.2d 1640 (E.D. Cal. 2012).

976. *See id.* at 1654.

977. *Id.* at 1655.

978. *Id.*

979. *Id.*

980. *See id.*

6. Effect of Disclaimers

One court identified two disclaimer-related reasons why a plaintiff seeking a preliminary injunction was not entitled to one.⁹⁸¹ First, the disclaimer weighed against what otherwise would have been the strong similarity of the parties' uses.⁹⁸² Second, the disclaimer supported the defendant's argument that that similarity was not the result of an intent to confuse consumers but instead arose from an intent to parody the plaintiff and its mark: "Where a defendant included both a clear disclaimer and some form of criticism, [the intent] factor has been considered to weigh in favor of the defendant."⁹⁸³

7. Counterfeiting Matters

Federal criminal law defines a "counterfeit mark" as "a spurious mark . . . that is identical with, or substantially indistinguishable from, a mark registered on the principal register in the United States Patent and Trademark Office and in use."⁹⁸⁴ Having been convicted of trafficking in goods bearing counterfeit marks, a pair of appellants to the Fourth Circuit⁹⁸⁵ argued that the language "substantially indistinguishable" was sufficiently vague as to violate the Due Process Clause of the Fourteenth Amendment.⁹⁸⁶ In sustaining the appellants' convictions against this challenge, the court framed the relevant test in the following manner:

For a criminal statute to violate due process, it must provide adequate notice to a person of ordinary intelligence that his contemplated conduct is illegal. This entails defining the criminal offense (1) with sufficient definiteness that ordinary people can understand what conduct is prohibited and (2) in a manner that does not encourage arbitrary and discriminatory enforcement. The fact that Congress might have written a statute more clearly does not make that statute unconstitutionally vague. Moreover, where a criminal statute regulates economic activity, it generally is subject to a less strict vagueness test.⁹⁸⁷

981. *See* CCA & B, LLC v. F + W Media Inc., 819 F. Supp. 2d 1310 (N.D. Ga. 2011).

982. *See id.* at 1326.

983. *Id.* at 1328.

984. 18 U.S.C. § 2320(f)(1)(A) (2012).

985. *See* United States v. Chong Lam, 677 F.3d 190 (4th Cir. 2012).

986. U.S. Const. amend. XIV, § 1.

987. *Chong Lam*, 677 F.3d at 201-02 (alterations omitted) (citations omitted) (internal quotation marks omitted).

Under this standard, the statutory language was “sufficiently clear to allow an ordinary person to understand the conduct [the statute] punishes.”⁹⁸⁸ Relying heavily on dictionary definitions of “spurious,” “substantial,” and “indistinguishable,” the court concluded that:

[T]he statute, by its plain terms, makes clear that a mark punishable as a counterfeit is one that suggests an erroneous origin and is, to a considerable degree, impossible to distinguish from a legitimate mark. The proximity of the phrase “substantially indistinguishable” to the term “identical” further emphasizes the degree to which a spurious mark must resemble a legitimate mark for it to be considered a counterfeit. Given the unambiguous nature of the statute’s plain language, we conclude that it easily allows an ordinary person to understand what the statute prohibits.⁹⁸⁹

The primary mark at issue before the court was the “registered . . . Burberry Check mark [for handbags]—a mark depicting Burberry’s signature plaid pattern, created by the intersecting red, white, black, and grey lines against a tan background.”⁹⁹⁰ Nevertheless, Burberry owned another registered mark for the same goods, which consisted of a stylized equestrian knight, and which the evidence at trial suggested was often used in conjunction with the Burberry Check mark. The jury hearing the case determined that a similar plaid pattern with a stylized knight superimposed on it used by the appellants constituted a counterfeit imitation of the Burberry Check mark but that the parties’ equestrian figures were distinguishable.

As characterized by the Fourth Circuit, “Appellants’ principal contention as to why the evidence was insufficient to allow a jury to conclude that the mark displayed on their goods was a counterfeit is that it consists of a plaid background and equestrian overlay, whereas the Burberry Check mark does not include an equestrian knight.”⁹⁹¹ The court was unconvinced by the appellants’ argument that a comparison of the Burberry Check mark to their putative composite mark violated the “antidissection rule.”⁹⁹² Instead, it held, “the marks are similar enough to allow a

988. *Id.* at 202.

989. *Id.*

990. *Id.* at 195.

991. *Id.* at 198.

992. As the court explained, “[t]he antidissection rule instructs that [c]onflicting composite marks are to be compared by looking at them as a whole, rather than breaking the marks into their component parts for comparison.” *Id.* at 198 n.7 (second alteration in original) (quoting 4 J. Thomas McCarthy on Trademarks and Unfair Competition § 23.41 (4th ed. 2011)).

reasonable jury to draw . . . a conclusion [of counterfeiting]—especially in light of . . . evidence demonstrating that Burberry often sells goods displaying the Burberry Check mark and the Burberry Equestrian mark together.”⁹⁹³ Particularly because “a mark does not have to be an exact replica of a registered trademark to be deemed a counterfeit,”⁹⁹⁴ the court held that “viewing the evidence in the light most favorable to the government, we find that Appellants’ mark was similar enough to the legitimate Burberry mark that we cannot say, as a matter of law, that no rational jury could conclude [it] was a counterfeit.”⁹⁹⁵

The Second Circuit was equally unsympathetic to a group of defendants in a federal criminal counterfeiting prosecution, albeit in the context of a civil infringement and dilution action.⁹⁹⁶ The issue presented on appeal to that court was whether the defendants had been entitled to a stay of the civil proceedings pending disposition of a criminal prosecution against them. The district court had declined to order such a stay, and, after the defendants exercised their constitutional right against self-incrimination in discovery, granted the plaintiff’s motion for summary judgment. The Second Circuit reviewed the decision not to grant the stay under a deferential abuse of discretion standard, and that was all she wrote for the defendants: Although “[t]here were factors . . . that would have supported the entry of the stay,”⁹⁹⁷ there was sufficient evidence in the record to support a finding of civil liability even without the benefit of any inferences that might have been drawn against the defendants as a result of their refusals to testify.⁹⁹⁸ Also supporting the district court’s decision to proceed were the plaintiff’s interest in a swift resolution of its claims⁹⁹⁹ and the district court’s interest in managing its own docket.¹⁰⁰⁰

993. *Id.* at 199.

994. *Id.*

995. *Id.* at 200.

996. *See* *Louis Vuitton Malletier S.A. v. LY USA, Inc.*, 676 F.3d 83 (2d Cir. 2012).

997. *Id.* at 101. In particular, the court noted that:

[The moving defendants] had been indicted in the parallel criminal proceeding when they sought the stay. The criminal trial was therefore reasonably imminent. There is considerable authority for the principle that a stay is most justified where a movant, like the defendants here, is already under indictment for a serious criminal offense and is required at the same time to defend a civil action involving the same subject matter.

Id.

998. *See id.* at 103.

999. *See id.* at 103-04.

1000. *See id.* at 104.

On the purely civil action side of things, several opinions entered default judgments holding defendants liable for having trafficked in goods bearing counterfeit imitations of plaintiffs' marks.¹⁰⁰¹ Somewhat unusually, the same result held in an action brought to protect a service mark against a holdover franchisee that continued to use the mark following the termination of its franchise.¹⁰⁰² The court hearing that case held the issue to turn on the standard four-factor test for liability:

[F]irst, the mark must be "counterfeit," meaning "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." Second, the mark must be registered on the U.S. Patent and Trademark Office's Principal Register for use on the same goods or services for which the defendant uses the mark. Third, the defendant must not have been authorized to use the mark at the time the goods or services were manufactured or produced. Finally, the defendant must have acted with knowledge and intent.¹⁰⁰³

The court found that only the first of these factors was in dispute. Although acknowledging the existence of "mixed authority" on how that dispute should be resolved,¹⁰⁰⁴ the court ultimately did so in the plaintiff's favor. As the court explained of its finding that the defendant had indeed used a counterfeit mark, it could "conceive of no reason why an ex-franchisee should escape liability for counterfeiting simply because that person had access to a franchisor's original marks because of the former relationship and therefore did not need to reproduce an identical or substantially similar mark."¹⁰⁰⁵

Reported opinions addressing the intersection between state anticounterfeiting statutes and federal immigration law are relatively rare, but they usually end badly for individuals falling afoul of the former. Such was the disposition of an appeal before

1001. *See, e.g.,* *Moroccanoil, Inc. v. Allstate Beauty Prods., Inc.*, 847 F. Supp. 2d 1197, 1202 (C.D. Cal. 2012) (entering default judgment "[a]s the complaint appears both sufficiently pled and meritorious"); *Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922, 937 (E.D. Va. 2011) (finding liability in default judgment entered as sanction); *E.I. du Pont de Nemours & Co. v. Magic Touch Cleaning & Restoration Inc.*, 100 U.S.P.Q.2d 1638, 1639 (M.D. Fla. 2011) (accepting magistrate's finding that defendant's liability for counterfeiting had been established by default); *see also* *Ill. Tool Works Inc. v. Hybrid Conversions, Inc.*, 817 F. Supp. 2d 1351, 1354 (N.D. Ga. 2011) (holding defendants' liability for trafficking in goods bearing counterfeit marks established by failure to respond to complaint but additionally holding evidentiary hearing on plaintiff's allegations).

1002. *See* *Century 21 Real Estate LLC v. Destiny Real Estate Props. LLC*, 101 U.S.P.Q.2d 1423 (N.D. Ind. 2011).

1003. *Id.* at 1426 (citations omitted) (quoting 15 U.S.C. § 1127 (2006)).

1004. *Id.*

1005. *Id.* at 1428.

the Ninth Circuit,¹⁰⁰⁶ in which a Mexican national challenged a deportation order grounded in his six convictions under a California statute for willfully manufacturing, intentionally selling, and knowingly possessing for sale more than 1,000 articles bearing a counterfeit trademark.¹⁰⁰⁷ The Bureau of Immigration Appeals determined that the defendant's violation of the California statute constituted a deportation-eligible aggravated felony in the form of an "offense relating to . . . counterfeiting" under federal law,¹⁰⁰⁸ and the Ninth Circuit agreed. The court rejected the defendant's argument that "counterfeiting" contemplated only conduct that "debas[ed] or impair[ed] the coin,"¹⁰⁰⁹ holding to the contrary that "when Congress added convictions relating to counterfeiting to the definition of aggravated felony, it was well understood and clearly established that the generic crime of counterfeiting extended far beyond the imitation of currency."¹⁰¹⁰ In particular, it concluded, "the definition of aggravated felony extends to convictions for the unauthorized imitation of trademarks."¹⁰¹¹

These holdings notwithstanding, a technicality *did* prove to be dispositive in another case in which the defendant, a contractor in the packaging business, was accused of fulfilling an order by a third party by affixing the plaintiff's mark to corrugated boxes intended to contain building materials.¹⁰¹² The plaintiff owned a registration of its mark, but the registration covered the "testing and grading of building materials, other than metal plate connected wood trusses,"¹⁰¹³ and this identification of services made all the difference in the world. Dismissing the plaintiff's argument that the defendant had trafficked in goods bearing counterfeit imitations of the plaintiff's mark, the court observed that "[t]he shortcoming with this argument . . . is that there is no evidence that the boxes in question contained or were loaded with any wood products or building materials."¹⁰¹⁴ As a consequence, and whatever the defendant's liability for mere infringement and

1006. *See* *Rodriguez-Valencia v. Holder*, 652 F.3d 1157 (9th Cir. 2011) (per curiam).

1007. Cal. Penal Code Ann. § 350(a)(2) (West 2010 & Supp. 2013).

1008. *See* 8 U.S.C. § 1101(a)(43)(R) (2012).

1009. *See* *Fox v. Ohio*, 46 U.S. 410, 428 (1847).

1010. *Rodriguez-Valencia*, 652 F.3d at 1159.

1011. *Id.* at 1160.

1012. *See* *Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819 (W.D. Mich. 2011).

1013. *Quoted in id.* at 829.

1014. *Id.* at 830.

likely dilution might be, the defendant was entitled to summary judgment.¹⁰¹⁵

8. Dilution

a. Proving Mark Fame and Distinctiveness

In addition to codifying other reforms, the 2006 passage of the Trademark Dilution Revision Act (TDRA)¹⁰¹⁶ was intended to amend Section 43(c) of the Act¹⁰¹⁷ to tighten up eligibility for protection under that statute.¹⁰¹⁸ Section 43(c)(2)(A) now provides in part that:

[A] mark is famous if it is 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. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (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 . . . on the principal register.¹⁰¹⁹

One court applied this test so seriously that it granted a motion to dismiss a claim under the TDRA at the pleadings stage of the litigation.¹⁰²⁰ The mark to which the plaintiffs' complaint claimed protection was "[t]he appearance of Plaintiffs' original design of their no-spill children's drinking cups,"¹⁰²¹ but the complaint did little to explain why that appearance might qualify for protection under the TDRA. In particular, the court noted, the plaintiffs "plead no facts regarding their advertising and publicity of the marks of the particular products in suit, nor do they plead

1015. *See id.*

1016. Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c) (2012)).

1017. 15 U.S.C. § 1125(c) (2012).

1018. *See, e.g.*, H.R. Rep. 109-23, at 8 (2005) ("[T]he legislation expands the threshold of 'fame' and thereby denies protection for marks that are famous only in 'niche' markets.").

1019. 15 U.S.C. § 1125(c)(2)(A)(i)-(iv).

1020. *See Luv n' Care, Ltd. v. Regent Baby Prods. Corp.*, 841 F. Supp. 2d 753 (S.D.N.Y. 2012).

1021. *Quoted in id.* at 755.

that their marks are registered.”¹⁰²² Although the plaintiffs did aver extensive sales and widespread notoriety, those averments also were not linked to the particular products at issue, leading the court to conclude that the complaint “lack[ed] factual references to the trademarks and trade dress in suit, and therefore do not support the allegation that the marks in suit are famous.”¹⁰²³ Because the complaint at best did nothing more than plead fame in the niche market for baby products, its federal cause of action for likely dilution was fatally deficient.¹⁰²⁴

Judicial rejection of claims of mark fame extended to summary judgment proceedings.¹⁰²⁵ In explaining why two claimed marks it previously determined were generic did not qualify for protection under the TDRA, one court noted of the revised standard that:

The TDRA specifically requires that the mark be “*widely recognized by the general consuming public of the United States* as a designation of a source of the goods or services of the mark’s owner.” Dilution is a cause of action invented and reserved for a select class of marks—those marks with such powerful consumer associations that even noncompeting uses can impinge on their value.¹⁰²⁶

A different court rejected Apple Inc.’s bid to protect its APP STORE mark for the online retail sale of computer software.¹⁰²⁷ In denying Apple’s motion for summary judgment, the court noted that “[t]o meet the ‘famousness’ element of protection under the dilution statutes, ‘a mark [must] be truly prominent and renowned.’ This requires a showing greater than ‘distinctiveness’ so as not to ‘upset the balance in favor of over-protecting trademarks, at the expense of potential non-infringing [sic] uses.’”¹⁰²⁸ The court found that this standard had not been met. It might be true that “[t]he evidence . . . show[s] that Apple has spent

1022. *Id.* at 757.

1023. *Id.*

1024. *See id.* at 759.

1025. *See, e.g.,* *Water Pik, Inc. v. Med-Sys., Inc.*, 848 F. Supp. 2d 1262, 1282 (D. Colo. 2012) (granting defense motion for summary judgment on ground that “[e]ven when read in the light most favorable to [the counterclaim plaintiff], the evidence shows at best that [the counterclaim plaintiff’s] trade dress may have established a degree of fame in the niche sinus irrigation market”); *Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819, 833 (W.D. Mich. 2011) (granting defense motion for summary judgment on ground that “Plaintiff has not argued that its mark is famous or distinctive and has failed to submit any evidence that would support such a conclusion”).

1026. *Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846, 866 (W.D. La. 2011) (internal quotation marks omitted) (quoting 15 U.S.C. § 1125(c)(5) (2012)).

1027. *See Apple Inc. v. Amazon.com Inc.*, 100 U.S.P.Q.2d 1835 (N.D. Cal. 2011).

1028. *Id.* at 1843 (second alteration in original) (quoting *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999)).

a great deal of money on advertising and publicity, and has sold/provided/furnished a large number of apps from its AppStore, and the evidence also reflects actual recognition of the ‘App Store’ mark.”¹⁰²⁹ Nevertheless, the court found that “there is also evidence that the term ‘app store’ is used by other companies as a descriptive term for a place to obtain software applications for mobile device.”¹⁰³⁰

Although the Fourth Circuit’s treatment of other issues appealed to it in *Rosetta Stone Ltd. v. Google, Inc.*¹⁰³¹ attracted more attention, its opinion in that case also took up the question of when a putatively famous mark within the meaning of Section 43(c) must have achieved that status. Section 43(c) itself might unambiguously require fame prior to a defendant’s use, but, because the statute did not address the scenario of that use evolving over time, Rosetta Stone argued that it should be able to reset the clock from 2004, when Google first began to auction Rosetta Stone’s marks as triggers for paid advertising, to 2009, when Google changed its policy to allow express references to Rosetta Stone in that advertising. Concluding that “[t]he statute does not permit the owner of a famous mark to pick and choose which diluting use counts . . .,”¹⁰³² the court rejected this contention and held that “[t]he fame of Rosetta Stone’s mark . . . should be measured from 2004”¹⁰³³

Some courts prove more sympathetic to claims of mark fame, even in cases in which the issue was contested.¹⁰³⁴ For example, one court found that the marks THE GAP for retail clothing store services and GAP for clothing and other items qualified for protection under Section 43(c) based on the following showings by the marks’ owners:

[The plaintiff’s] marks are famous and have become some of the most recognizable marks in the United States over the last forty years. [The plaintiff] has stores all over the United States; spends tens of millions of dollars on advertising each year in a variety of media; and receives unsolicited coverage and product placement on television shows and in motion

1029. *Id.* at 1844.

1030. *Id.*

1031. 676 F.3d 144 (4th Cir. 2012).

1032. *Id.* at 172.

1033. *Id.*

1034. For an example of a case in which the requisite fame was established by the defendants’ default, see *Estate of Ellington v. Harbrew Imps.*, 812 F. Supp. 2d 186, 190, 194 (E.D.N.Y. 2011) (finding DUKE ELLINGTON mark famous for “a broad category of goods and services, including, but not limited to, luxury watches, luxury pens, books, stationary [sic], greeting cards, designer apparel, limited edition prints, calendars, note cards, and posters”).

pictures. [The plaintiff] enjoyed sales of well over five billion dollars during its 2010 fiscal year.¹⁰³⁵

The plaintiffs' case was additionally bolstered by a likelihood-of-confusion survey commissioned by the defendant, which, beyond proving ineffective for its intended purpose, demonstrated that "[a]pproximately 54%" of respondents mentioned the plaintiffs' GAP mark when exposed to such phrases as "Watch the Gap," "Bridge the Gap," and "Ultimate Gap."¹⁰³⁶

In contrast to the high bar set by the TDRA, proving the degree of distinctiveness required by state dilution statutes was often far less onerous. Thus, for example, one federal district court applying the Louisiana statute¹⁰³⁷ held that "[t]he . . . statute protects a mark based upon its strength, and that strength can be demonstrated by showing a mark to either be distinctive or to have acquired a secondary meaning."¹⁰³⁸

b. Proving Actual or Likely Dilution

(1) Actual or Likely Dilution by Tarnishment

The sole reported opinion to tackle an allegation of actual or likely dilution by tarnishment rejected it.¹⁰³⁹ The plaintiff was Apple Inc., the owner of the APP STORE mark for the online retail sale of computer software, while the defendant, Amazon.com, used the same words in connection with substantively identical services provided through its proprietary website. As the court characterized the plaintiff's showing:

Apple claims that the goodwill arising from its efforts is associated with its "App Store" mark, and that it developed this reputation in part by screening software made available through [its] App Store service, in order to ensure that the service does not include inappropriate content, viruses, or malware. Apple asserts that software compatible with . . . Android-based mobile devices [such as Amazon.com's software] has been subject to highly-publicized viruses, and malicious code, which has created device instability and data securing issues.¹⁰⁴⁰

1035. Gap Inc. v. G.A.P. Adventures Inc., 100 U.S.P.Q.2d 1417, 1429 (S.D.N.Y. 2011).

1036. *Id.* at 1427.

1037. La. Rev. Stat. Ann. § 51:223.1 (West 2003).

1038. Firefly Digital Inc. v. Google Inc., 817 F. Supp. 2d 846, 866 (W.D. La. 2011) (citation omitted). Of course, a claimed mark that is generic will not satisfy even this reduced standard. *See id.* at 867.

1039. *See* Apple Inc. v. Amazon.com Inc., 100 U.S.P.Q.2d 1835 (N.D. Cal. 2011).

1040. *Id.* at 1842.

The court was unconvinced by this showing, especially in light of the differing channels of distribution employed by the parties, and it therefore denied Apple's motion for summary judgment with the observation that "Apple speculates that Amazon's App Store will allow inappropriate content, viruses, or malware to enter the market, but it is not clear how that will harm Apple's reputation, since Amazon[.com] does not offer apps for Apple devices."¹⁰⁴¹

(2) Actual or Likely Dilution by Blurring

Congress revised Section 43(c) to adopt a likelihood-of-dilution standard for liability through the passage of the TDRA in 2006, and the significance of a showing of actual dilution, at least as far as federal law is concerned, has diminished since then. The timing of a defendant's first use of a challenged designation may require a plaintiff proceeding under Section 43(c) to demonstrate actual dilution,¹⁰⁴² however, and one plaintiff discovered that such a showing is no easier now than it was before the revision.¹⁰⁴³ In response to a motion for summary jury judgment on the issue, the plaintiff submitted an expert witness report opining that the defendants' uses were "likely to reduce the perceived value of the [plaintiff's] original . . . designs," that they raised a "significant risk" to those designs, and that "the availability of [the defendants'] imitations is likely to create negative consumer responses toward the [plaintiff's] brand."¹⁰⁴⁴ The report did not, however, demonstrate that any of those risks had materialized, which led the court to conclude that "while [the expert's] report is sufficient to raise a genuine issue of material fact as to the existence of a likelihood of dilution, it does not do so on the issue of actual dilution."¹⁰⁴⁵

Where likelihood of dilution was concerned, two courts hearing high-profile cases took different approaches to the six statutory factors set forth in Section 43(c)(2)(b)¹⁰⁴⁶ governing the likelihood-

1041. *Id.* at 1844.

1042. At least where claims for injunctive relief are concerned, the TDRA has retroactive effect. *See V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734, 738 (W.D. Ky. 2008) ("The TDRA applies to the dilution claim herein . . . , as [the plaintiff] seeks only prospective injunctive relief."), *aff'd*, 605 F.3d 382 (6th Cir. 2010), *cert. denied*, 131 S. Ct. 1003 (2011). A plaintiff seeking monetary relief for conduct occurring prior to the Act's October 6, 2006, effective date, however, must prove liability under an actual dilution standard. *See, e.g., Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 561 F. Supp. 2d 368, 391 (S.D.N.Y. 2008) ("[The plaintiff] must establish actual dilution in order to recover monetary damages on its [federal] dilution claim.")

1043. *See Gucci Am., Inc. v. Guess?, Inc.*, 843 F. Supp. 2d 412 (S.D.N.Y. 2012).

1044. *Quoted in id.* at 428.

1045. *Id.*

1046. 15 U.S.C. § 1125(c)(2)(B)(i)-(vi) (2012).

of-dilution-by-blurring inquiry. One was the Fourth Circuit, which vacated the grant of a defense motion for summary judgment grounded solely in the theory that the plaintiff's mark had increased in distinctiveness during the pendency of the defendant's allegedly unlawful conduct, and that the statutory factor of "[t]he degree of recognition of the famous mark"¹⁰⁴⁷ therefore favored the defendant.¹⁰⁴⁸ As the appellate court held, "[t]he decision below employed a truncated analysis that placed a very heavy emphasis upon whether there had been any actual injury suffered by [the plaintiff's] brand. On remand, the [district] court should address whichever additional factors might apply to impair the distinctiveness of [the plaintiff's] mark."¹⁰⁴⁹

In contrast, a New York federal district court employed its own truncated analysis to reach a determination of nonliability.¹⁰⁵⁰ Although the Second Circuit abandoned its former criterion that the parties' marks must be identical or nearly so to support a finding of likely dilution by blurring in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*,¹⁰⁵¹ not all plaintiffs benefitted from an application of the new rule.¹⁰⁵² Indeed, even the plaintiff in that very case fell short on remand, as the district court found as a factual matter that the defendant's coffee labels, a representative example of which is shown below on the left, was unlikely to dilute the distinctiveness of the mark (and variations on it) shown on the right, which the plaintiff used in connection with its own coffee products:



1047. *See id.* § 1125(e)(2)(B)(iv).

1048. *See Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

1049. *Id.* at 171.

1050. *See Starbucks Corp. v. Wolfe's Borough Coffee Inc.*, 101 U.S.P.Q.2d 1212 (S.D.N.Y. 2011).

1051. 588 F.3d 97 (2d Cir. 2009).

1052. *See, e.g., Naked Cowboy v. CBS*, 844 F. Supp. 2d 510, 518 (S.D.N.Y. 2012) (dismissing federal and New York dilution claims at pleadings stage based on plaintiff's failure to aver that defendants had imitated the distinctive components of plaintiff's mark).

The court noted that “there is no dispute that four of the six [statutory likelihood-of-dilution] factors weigh in Plaintiff’s favor. They are: the distinctiveness of Plaintiff’s marks, Plaintiff’s exclusivity of use, the high degree of recognition of Plaintiff’s marks, and Defendant’s intent to associate its mark with the Plaintiff’s marks.”¹⁰⁵³ Yet, it then expressly disregarded the distinctiveness, exclusivity of use, and recognition factors after mistakenly concluding that they were relevant only to the inquiry of whether the plaintiff’s marks were sufficiently famous under Section 43(c)(2)(A)(i)-(iv)¹⁰⁵⁴ to qualify for protection against likely dilution in the first place:

[A]lthough these factors are significant insofar as they establish clearly Plaintiffs[] right to protection of its marks against dilution, they are not informative as to whether any association arising from similarity of the marks used by Defendant to Plaintiffs[] marks is likely to impair the distinctiveness of Plaintiffs[] marks.¹⁰⁵⁵

Having thus restricted the relevant inquiry, it ultimately reached a finding of nonliability based on its analysis of the two remaining factors, namely, the similarity of the marks at issue and evidence of consumers’ association of the defendant’s marks with those of the plaintiffs. As to the former issue, the court found that the parties’ marks had only a “minimal degree of similarity . . . as they are used in commerce.”¹⁰⁵⁶ And, as to the latter, the court dismissed the results of a telephone survey commissioned by the plaintiff, both because “the survey did not measure how consumers would react to the [defendant’s] marks as they are actually packaged and presented in commerce” and because it yielded a 30.5 percent positive response rate from respondents, which the court found to be “relatively small.”¹⁰⁵⁷

Another federal district court applying Section 43(c) and the New York dilution statute¹⁰⁵⁸ declined to find that the use by a defendant of the G.A.P. ADVENTURES mark for travel booking and travel agency services was likely to dilute the distinctiveness of two marks owned by the plaintiffs, namely, THE GAP for retail clothing sales and GAP for clothing and related items.¹⁰⁵⁹ The plaintiffs introduced the results of two surveys, the first of which

1053. *Starbucks*, 101 U.S.P.Q.2d at 1215.

1054. 15 U.S.C. § 1125(c)(2)(A)(i)-(iv) (2012).

1055. 101 U.S.P.Q.2d at 1217.

1056. *See id.* at 1216.

1057. *Id.*

1058. N.Y. Gen. Bus. L. 360-1 (McKinney 1996 & Supp. 2008).

1059. *See GAP Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417 (S.D.N.Y. 2011).

asked respondents exposed to a website featuring one presentation of the defendant's mark "[w]hat company or brand, if any, comes to mind when you see the name on this website?"¹⁰⁶⁰ The results reflected a 60.95 percent positive response rate among respondents exposed to this stimulus but no positive responses among those viewing a control that featured the words "Great Adventure People" instead of the challenged mark.¹⁰⁶¹ The court found that these results "show a likelihood of association between G.A.P. Adventures and variants, with plaintiffs' trademark 'Gap,'"¹⁰⁶² just as it also found convincing a 37.62 percent net positive response rate documented by a second survey employing identical methodology but using a later version of the defendant's mark.¹⁰⁶³

Nevertheless, this evidence of association was insufficient to establish that the defendant's mark was likely to blur the fame and the distinctiveness of the plaintiffs' marks. Rather, "[t]he fact that people "associate" the accused mark with the famous mark does not in itself prove the likelihood of dilution by blurring."¹⁰⁶⁴ In particular, the court found, the plaintiffs had failed to demonstrate that the association between the parties' marks documented by the survey results was likely to impair the distinctiveness of the plaintiffs' marks. Without evidence of "any injury to [their] trademarks," the plaintiffs' dilution claims under Section 43(c) and New York law failed.¹⁰⁶⁵

In a fairly cursory analysis, a California district court declined to find on a preliminary injunction motion that Amazon.com's use of the words "App Store" for the online sale of computer software was likely to blur the distinctiveness of Apple Inc.'s APP STORE mark for the same services.¹⁰⁶⁶ The court had reservations about whether Apple's mark was sufficiently famous to qualify for protection in the first instance, but it examined the statutory likelihood-of-dilution factors nonetheless. Applying the first, it found that "the marks are similar, but 'App Store' is more descriptive than it is distinctive."¹⁰⁶⁷ Beyond this, "Apple did have substantially exclusive use of 'App Store' when it launched its service a little over three years ago, but the term appears to have

1060. *Quoted in id.* at 1423.

1061. *See id.*

1062. *Id.* at 1424.

1063. *See id.*

1064. *Id.* at 1431 (quoting 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 24:120 (4th ed. 2011)).

1065. *Id.* at 1431-32.

1066. *See Apple Inc. v. Amazon.com Inc.*, 100 U.S.P.Q.2d 1835 (N.D. Cal. 2011).

1067. *Id.* at 1844.

been used more widely by other companies as time has passed.”¹⁰⁶⁸ In addition, “[t]he mark does appear to enjoy widespread recognition, but it is not clear from the evidence whether it is recognition as a trademark or recognition as a descriptive term.”¹⁰⁶⁹ Finally, there is no evidence that Amazon[.com] intended to create an association between its Android apps and Apple’s apps, and there is no evidence of actual association.”¹⁰⁷⁰

Despite this string of pro-defendant outcomes, one plaintiff asserting a likelihood-of-blurring cause of action under Section 43(c) earned a minor victory by successfully defending its cause of action against a motion to dismiss for failure to state a claim.¹⁰⁷¹ The plaintiff’s mark was FACEBOOK, while the defendant’s was TEACHBOOK; both were used in connection with online social networking services. The basis of the defendant’s motion was that “[a]ll of [the plaintiff’s] claims demand that there is a confusing similarity of some distinctive feature of the parties’ marks.”¹⁰⁷² The court disagreed, holding that “[w]hile [the defendant] is correct that [the plaintiff] must show similarity between its marks and [defendant’s], [the plaintiff] need not prove ‘confusing similarity’ to sustain a trademark dilution claim.”¹⁰⁷³ It then elaborated on this point further:

For a traditional trademark infringement claim, the harm to be remedied is the possible deception of consumers through the use of similar or identical trademarks. The paradigmatic trademark infringement claim arises when consumers seeking to obtain goods or services from one source—that is, the owner of a particular trademark—instead obtain them from another source while thinking the goods or services are from the first source due to confusingly similar trademarks. In other words, trademark infringement claims protect against a harm akin to fraud.

For a trademark dilution claim, however, the harm is not based on the potential for consumer confusion. A trademark dilution claim can still arise where consumers have not been and are not likely to be confused about the source of goods or services offered under the same or similar trademarks. Rather, a trademark dilution claim—and specifically one that relies on a theory of dilution by “blurring,” as is alleged here—stems from a trademark losing its ability to trigger an

1068. *Id.*

1069. *Id.*

1070. *Id.*

1071. *See* Facebook, Inc. v. Teachbook.com LLC, 819 F. Supp. 2d 764 (N.D. Ill. 2011).

1072. *Quoted in id.* at 784 (alteration in original).

1073. *Id.*

association in consumers' minds between the trademark and a particular producer of goods or services.¹⁰⁷⁴

Because the plaintiff otherwise had averred the elements of a prima facie case for likely dilution, the defendant's motion was without merit.¹⁰⁷⁵

Finally, one plaintiff prosecuting a trade dress action scored a minor victory in successfully defending against a motion in limine attacking the admissibility of an association survey it had commissioned.¹⁰⁷⁶ The defendants' motion had two bases, namely, that the plaintiff's expert had removed too many elements from the handbag he had used as a control and that the expert's coding of the survey's results improperly inflated association levels. The court rejected the first of these attacks with the explanation that:

[N]either science nor law mandate[s] the exclusion of a survey that uses a single control to measure association attributable to an allegedly infringing multi-element trade dress. While such a survey may be entitled to less weight than one with closer-to-ideal controls, its relevance to the issue of association is not thereby eliminated for purposes of determining its admissibility.¹⁰⁷⁷

With respect to the second, the court was unreceptive to what it saw as the defendants' argument that "a survey respondent is properly coded as associating the allegedly infringing [sic] trade dress with [the plaintiff] if—and only if—she either explains her association by articulating every component of that trade dress, or by referencing the trade dress in a general manner."¹⁰⁷⁸ To the contrary, it was "unrealistic" to expect respondents to answer the survey in such an "idealized manner."¹⁰⁷⁹ In the final analysis, therefore, "although the . . . [s]urvey is flawed in that it used a less-than-ideal control, and although one might wish that it contained more specific response explanations, these issues are relatively minor."¹⁰⁸⁰

1074. *Id.* at 785 (citations omitted).

1075. *See id.* at 785-86.

1076. *Gucci Am., Inc. v. Guess?, Inc.*, 831 F. Supp. 2d 723 (S.D.N.Y. 2011).

1077. *Id.* at 740.

1078. *Id.* at 741.

1079. *Id.*

1080. *Id.*

9. Section 43(a) Claims

a. Passing Off

To the extent that reported opinions addressed allegations of affirmative passing off over the past year, they did so in cases with connections to the state of Tennessee and in which those allegations were targeted by motions to dismiss.¹⁰⁸¹ One federal district court denied such a motion.¹⁰⁸² The gravamen of the plaintiff's claim was that "Defendants passed off [their] services as being those of [the plaintiff] by communicating that [the defendants] had taken over [the plaintiff's] business and by copying and using business forms and other materials that were misappropriated from [the plaintiff]."¹⁰⁸³ Pointing to Section 43(a)(1)(A),¹⁰⁸⁴ the defendants argued that the plaintiff had failed to identify a trademark or service mark that allegedly had been infringed by the defendants. The court rejected that argument on the ground that the "broad language of the statute . . . 'is not limited to trademark issues.'"¹⁰⁸⁵ As a consequence, the plaintiff's allegations were:

sufficient to establish a plausible claim that Defendants used "any word, term, name, symbol, or device, or any combination thereof, or . . . any false or misleading misrepresentation of fact," which was "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person" as required by [Section 43(a)].¹⁰⁸⁶

b. Reverse Passing Off

Section 43(a)(1)(A) of the Act makes unlawful, among other things, false designations likely to cause confusion over the origin of goods or services.¹⁰⁸⁷ This broad language notwithstanding, the Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*¹⁰⁸⁸ adopted a restrictive interpretation of the statute that limited its usefulness as a mechanism for challenging the alleged

1081. *See, e.g.*, *Fan Action, Inc. v. Yahoo! Inc.*, 830 F. Supp. 2d 584, 590-91 (N.D. Ind. 2011) (denying, in cursory analysis, motion to dismiss palming off claims under Tennessee and Indiana law).

1082. *See* *ProductiveMD, LLC v. 4UMD, LLC*, 821 F. Supp. 2d 955 (M.D. Tenn. 2011).

1083. *Quoted in id.* at 965.

1084. 15 U.S.C. § 1125(a)(1)(A) (2012).

1085. *Id.* at 966 (quoting *Gnesys, Inc. v. Greene*, 437 F.3d 482, 489 (6th Cir. 2005)).

1086. *Id.* at 965-66 (quoting 15 U.S.C. § 1125(a)(1)(A) (2006)).

1087. 15 U.S.C. § 1125(a)(1)(A).

1088. 539 U.S. 23 (2003).

reverse passing off of creative works. In particular, *Dastar* held that Section 43(a)(1)(A) is properly available only if the good at issue is an actual physical product generated by the plaintiff but then repackaged by the defendant without attribution.¹⁰⁸⁹

Despite the clarity of the Court's holding on this issue, an Illinois federal district court missed the bus in failing to dismiss a reverse passing off cause of action grounded in facts similar to those in *Dastar*.¹⁰⁹⁰ The plaintiff advancing the claim was a photography studio, which had licensed the defendants to use certain photographs, provided that the defendants attributed the photographs to the plaintiff. When the defendants failed to do so, the plaintiff added a Section 43(a)(1)(A) cause of action to one for copyright infringement. In declining to dismiss that cause of action, the court confused the defendants' apparent copying and republication of the photographs at issue with the repackaging and distribution of the plaintiff's original tangible goods contemplated by the *Dastar* dictum. It also found two additional facts to be significant: "This case does not involve works in the public domain, or the fear of a perpetual copyright regime such as the Supreme Court faced in *Dastar*. Nor does it involve an instance where the defendants are alleged to have made modifications to the plaintiff's works before displaying the works."¹⁰⁹¹ Because in the court's view, "the facts here cleanly fit within the exception enunciated by *Dastar*," the defendants' motion to dismiss was denied.¹⁰⁹²

Photographs also were at issue in an equally dubious denial of a motion to dismiss a Section 43(a)(1)(A)-based reverse passing off claim brought by an individual plaintiff against defendants alleged to have reproduced his photographs in books; the lead defendant was additionally accused of having falsely claimed to have taken the photographs in question.¹⁰⁹³ Although *Dastar* was acknowledged as the basis of the defendants' motion, the Supreme Court's opinion proved less significant to the New York district court entertaining the motion than did pre-*Dastar* Second Circuit authority.¹⁰⁹⁴ Considering that authority "instructive," the court observed that "[h]ere, [the plaintiff] alleges defendants misrepresented the origin of the photographs themselves; not the ideas, concepts, or communications embodied in the

1089. *See id.* at 31 (noting that reverse passing off claim under Section 43(a)(1)(A) "would undoubtedly be sustained if [the defendant] had bought some of [the plaintiff's] videotapes and merely repackaged them as its own").

1090. *See* *Defined Space, Inc. v. Lakeshore E., LLC*, 797 F. Supp. 2d 896 (N.D. Ill. 2011).

1091. *Id.* at 901 (citation omitted).

1092. *Id.*

1093. *See* *Levine v. Landy*, 832 F. Supp. 2d 176 (N.D.N.Y. 2011).

1094. *See* *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775 (2d Cir. 1994).

photographs.”¹⁰⁹⁵ Without identifying how these allegations differed from those in *Dastar* or why the video images in that case should be treated differently from the still images in the case before it, the court concluded that the plaintiff’s averments were “sufficient to allege false designation of origin, in that plaintiff alleges false representation as to the creator of the works,”¹⁰⁹⁶ and, additionally, because his complaint asserted that “the public has been mislead [sic] as to the true origin of the photographs and that he has been and will continue to be, damaged by the false designation.”¹⁰⁹⁷

Other federal district courts displayed better understandings of *Dastar*’s holding.¹⁰⁹⁸ The Section 43(a)(1)(A) cause of action before one was grounded in the defendants’ alleged use in a video of a song, the copyright to which the plaintiffs claimed ownership.¹⁰⁹⁹ The court quite properly disposed of the plaintiffs’ reverse passing off claim with the following observation:

Plaintiffs’ argument under the [*Dastar* dictum]—that defendants used an exact copy of plaintiffs’ song on the soundtrack to their video, and thus merely repackaged plaintiffs’ song as their own—is without merit. This is not an instance of defendants repackaging a “good” made by plaintiffs as their own because the “goods” at issue . . . were undisputedly created and manufactured by defendants. Plaintiffs’ song, whether an exact copy or not, is not a distinct tangible good in this instance, but rather an “idea, concept, or communication embodied in [defendants’] goods.”¹¹⁰⁰

One application of *Dastar* went even further in disposing of a conventional Section 43(a)(1)(A) false designation of origin claim grounded in the alleged imitation of marks owned by the plaintiff, rather than a failure to attribute authorship as in *Dastar*.¹¹⁰¹ The plaintiff’s primary claim was that the defendant had infringed the plaintiff’s copyright in a series of television commercials, but the plaintiff asserted a Section 43(a)(1)(A) cause of action as well: “[The plaintiff] argues that all of the commercials have the same

1095. *Levine*, 832 F. Supp. 2d at 190.

1096. *Id.* at 191.

1097. *Id.*

1098. *See, e.g.,* *Dorchen/Martin Assocs. v. Brook of Cheboygan, Inc.*, 838 F. Supp. 2d 607, 615 (E.D. Mich. 2012) (dismissing reverse passing off cause of action grounded in defendants’ alleged incorporation of plaintiff’s copyrighted materials into their own).

1099. *See* *Dutch Jackson IATG, LLC v. Basketball Mktg. Co.*, 846 F. Supp. 2d 1044 (E.D. Mo. 2012).

1100. *Id.* at 1049 (second alteration in original) (quoting *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003)).

1101. *See* *Remark LLC v. Adell Broad.*, 817 F. Supp. 2d 990 (E.D. Mich. 2011).

distinctive features which have become associated with [the plaintiff] as the sole source of these commercials and [the defendant] deceives the public when it uses the distinctive elements in its [own] commercials.”¹¹⁰² Granting the defendant’s motion to dismiss for failure to state a claim, the court held that “*Dastar* . . . has squarely rejected the argument advanced by [the plaintiff] and its theory of recovery is not actionable under the Lanham Act.”¹¹⁰³ In fact, however, the theory of relief rejected by *Dastar* was *not* premised on distinctiveness and deception; rather, as the *Dastar* Court made clear, the Ninth Circuit’s error in that case was its affirmation of a finding of liability as a matter of law grounded in theory that the defendants’ “bodily appropriation” of the creative work at issue was “sufficient to establish . . . reverse passing off.”¹¹⁰⁴

Dastar was also invoked at the pleadings stage in a case brought by a plaintiff active in the mixed-martial-arts industry.¹¹⁰⁵ The defendant operated a website that allowed users to stream and broadcast live video, and, according to the plaintiff, some of that footage was from one of the plaintiff’s matches. The plaintiff’s trademark-based claims were based on the appearance in the footage of the plaintiff’s federally registered conventional marks and of an octagonal ring in which contestants fought. Denying the defendant’s motion to dismiss, and without identifying which prong of Section 43(a) might be at issue, the court held that “we are dealing with the display of a company’s actual trademarks as part of a video stream over the internet”¹¹⁰⁶ Rather, “[t]his is not a ‘reverse passing off’ claim (or even exactly a ‘passing off’ claim to which *Dastar* would also likely apply) but a basic trademark claim”¹¹⁰⁷ Consequently, “[b]ecause [the plaintiff] alleges that [the defendant] displayed [the plaintiff’s] trademarks as part of the video streams *Dastar* does not apply in that regard.”¹¹⁰⁸

Nevertheless, the court did hold that *Dastar* barred the plaintiff’s attempt to hold the defendant liable for the appearance of the plaintiff’s octagonal ring in the footage. As it explained:

1102. *Id.* at 998.

1103. *Id.*

1104. *Dastar*, 539 U.S. at 28 (quoting *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 34 F. App’x 312 (9th Cir. 2002), *rev’d sub nom.*, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003)).

1105. *See Zuffa, LLC v. Justin.tv, Inc.*, 838 F. Supp. 2d 1102 (D. Nev. 2012).

1106. *Id.* at 1105.

1107. *Id.*

1108. *Id.*

Essentially, if [the plaintiff] were allowed to proceed on a trademark claim for the display of the Octagon ring, or other trademarks inherently part of the copyrighted broadcast, [the plaintiff] would possess a mutant-copyright or perpetual copyright because nobody would ever be able to copy the video and display it regardless of whether the copyright had entered the public domain.¹¹⁰⁹

The result was that “[a]t this stage, the Court limits [the plaintiff’s] trademark claims only to the display of [the plaintiff’s] trademarks which are not an inherent part of the video broadcast.”¹¹¹⁰

Dastar’s potential significance was not limited to causes of action brought under Section 43(a)(1)(A). In particular, it did not escape the notice of some plaintiffs that the *Dastar* Court also expressly acknowledged in dictum that Section 43(a)(1)(B)¹¹¹¹ remained an option for a plaintiff seeking to challenge a defendant who, “in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or another person’s goods, services, or commercial activities.”¹¹¹² As the Court explained, a false designation of origin in violation of Section 43(a)(1)(A) was one thing, but a misrepresentation of the inherent nature of goods and services within the scope of Section 43(a)(1)(B) was another.¹¹¹³

Nevertheless, despite the Court’s recognition of the distinction between the two statutes, causes of action under Section 43(a)(1)(B) continued to fare poorly, much as they have since *Dastar*.¹¹¹⁴ For example, having concluded that the defendants had reproduced the plaintiff’s copyrighted poems into personalized gifts, the plaintiff was unable to resist the temptation to tack causes of action under both Section 43(a)(1)(A) and Section 43(a)(1)(B) onto its copyright infringement claim.¹¹¹⁵ Invoking *Dastar*’s restrictive interpretation of Section 43(a)(1)(A), the court dismissed the plaintiff’s cause of action under that statute for failure to state a claim.¹¹¹⁶ It then turned to the plaintiff’s Section

1109. *Id.* at 1106.

1110. *Id.*

1111. 15 U.S.C. § 1125(a)(1)(B) (2012).

1112. *Id.*

1113. *See Dastar*, 539 U.S. at 38.

1114. *See, e.g.*, Dutch Jackson IATG, LLC v. Basketball Mktg. Co., 846 F. Supp. 2d 1044, 1048 (E.D. Mo. 2012) (granting motion to dismiss on ground that “[t]he defendants did not mention the origin of plaintiffs’ song or reference the origin of [the song] in the advertising or on the packaging of defendants’ video”).

1115. *See Personalized Keepsakes Inc. v. Personalizationmall.com Inc.*, 101 U.S.P.Q.2d 1855 (N.D. Ill. 2012).

1116. *See id.* at 1860.

43(a)(1)(B) claim and did the same. In doing so, the court rejected the plaintiff's argument that authorship of a creative work (as opposed to its origin) fell within Section 43(a)(1)(B)'s scope. As it explained, "if authorship was considered to be part of the 'nature' of the product, or a 'characteristic' or 'quality' of it, then the claim the . . . Supreme Court rejected in *Dastar* under § 43(a)(1)(A) would be available under § 43(a)(1)(B), assuming that product was commercially advertised (as most products are)."¹¹¹⁷

Finally, one Florida federal district court's entry of summary judgment of nonliability was grounded less in an application of *Dastar* than in an abbreviated set of the Eleventh Circuit's multifactor test for likely confusion.¹¹¹⁸ That outcome had its origins in the text of a bid solicitation document promulgated by a municipality that purchased the lead defendants' goods. The solicitation in question was for the installation of "baffle boxes" used to remove organic debris, trash, oil and other pollutants from stormwater, and the municipality required that bids specify the plaintiff's baffle boxes or baffle boxes "equal" to those of the plaintiff.¹¹¹⁹ The winning bid, which was submitted by one of the defendants, did so specify the plaintiff's baffle boxes; with the approval of the project manager, however, the baffle boxes actually installed were manufactured by the lead defendant. Beyond that, a maintenance brochure provided to the municipality contained at least some photographs of the plaintiff's baffle boxes, and discovery disclosed "an old . . . product brochure [of the lead defendant] which contained a single picture of a . . . baffle box [of the plaintiff]."¹¹²⁰

On the parties' cross motions for summary judgment, the court held that the cameo appearances of the plaintiff's products in the maintenance presentation and in the product brochure did not constitute reverse passing off. Invoking the Eleventh Circuit's standard likelihood-of-confusion factors, it held that all but two—the defendants' intent and actual confusion—were irrelevant on the ground that "they deal with the relationship between the plaintiff's and defendant[s'] trademarks, not their products."¹¹²¹ The first of the two factors weighed in the defendants' favor because "[i]t is clear from the record that the Defendants did not intend to pass off [the plaintiff's] product as [the lead defendants']

1117. *Id.* at 1861.

1118. *See* *Suntree Techs., Inc. v. EcoSense Int'l, Inc.*, 802 F. Supp. 2d 1273 (M.D. Fla. 2011), *aff'd*, 693 F.3d 1338 (11th Cir. 2012).

1119. *Quoted in id.* at 1278.

1120. *Id.* at 1279.

1121. *Id.* at 1284 (quoting *Johnson v. Jones*, 149 F.3d 494, 503 (6th Cir. 1998)).

product.”¹¹²² The defendants came out ahead in the court’s application of the second factor as well, because the plaintiff was able to point only to the deposition testimony of a municipal employee with “minimal” involvement in the project that the maintenance presentation gave the impression that all the baffle boxes appearing in it were those of the lead defendant.¹¹²³

c. False Endorsement

Relatively few reported opinions addressed allegations of false endorsement under Section 43(a). One that did, from a California federal district court, disposed of the claim that the use of Albert Einstein’s image in an automobile advertisement violated the statute.¹¹²⁴ Entertaining the defendants’ motion for summary judgment, the court turned to the Ninth Circuit’s likelihood-of-confusion factors to evaluate whether such a violation had indeed occurred. The court’s analysis was largely driven by the plaintiff’s failure to establish an evidentiary record as to each factor: Although it assumed for purposes of argument that “Einstein’s likeness constitutes a strong mark,”¹¹²⁵ and, additionally, found that “[s]ince the Advertisement contains a photographic image of Einstein, the marks here are identical,”¹¹²⁶ the remaining factors of record uniformly weighed against a finding of liability.¹¹²⁷

1122. *Id.*

1123. *See id.* at 1284-85. The court discounted any confusion that might be reflected in the witness’s testimony because she was not a point-of-purchase consumer; in addition, “[e]ven if [the witness] constitutes a single customer who was actually confused, one de minimis example of confusion, without more, does not satisfy the likelihood-of-confusion inquiry.” *Id.* at 1285.

1124. *See* Hebrew Univ. of Jerusalem v. Gen. Motors LLC, 103 U.S.P.Q.2d 1362 (C.D. Cal. 2012).

1125. *Id.* at 1374.

1126. *Id.* at 1374-75.

1127. The court took no prisoners when summarizing the plaintiff’s response to the defendants’ motion for summary judgment:

Plaintiff has not even shown a tenuous connection between the “goods” at issue. At most, the [advertised car] draws its value from Einstein’s image only indirectly and remotely; the ad was not for an Einstein product. . . .

Other [likelihood-of-confusion] factors warrant summary judgment. Plaintiff points to no evidence of the strength of association between the mark and [Plaintiff]. Plaintiff points to no evidence regarding the degree of care consumers are likely to exercise when purchasing a car. Plaintiff points to no evidence that Defendant *intended* to profit by confusing consumers into believing Plaintiff endorsed the [advertised car]. Plaintiff points to no evidence that it markets products bearing the image of Einstein through the same marketing channels as Defendant or that any of its approved product lines will expand to overlap with Defendant’s product lines. Finally, Plaintiff points to no evidence of actual consumer confusion.

Id. at 1375 (citations omitted).

d. False Advertising

The Ninth Circuit offered up the following formulation of the test for determining liability for false advertising under Section 43(a)(1)(B), which was characteristic of those of other courts as well:

There are five elements to a false advertising claim under Section 43(a) of the Lanham Act:

- (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product;
- (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience;
- (3) the deception is material, in that it is likely to influence the purchasing decision;
- (4) the defendant caused its false statement to enter interstate commerce; and
- (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products.¹¹²⁸

One court rejected the proposition that allegations of these elements were subject to the heightened pleading requirements of Rule 9 of the Federal Rules of Civil Procedure.¹¹²⁹

1128. *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105, 1110 (9th Cir. 2012); *accord* *Buetow v. A.L.S. Enters.*, 650 F.3d 1178, 1183 (8th Cir. 2011); *T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121, 1129 (W.D. Wash. 2012); *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934, 945-46 (E.D. Wis. 2012); *TriState HVAC Equip., LLP v. Big Belly Solar, Inc.*, 836 F. Supp. 2d 274, 285 (E.D. Pa. 2011); *Boykin Anchor Co. v. AT&T Corp.*, 825 F. Supp. 2d 706, 710 (E.D.N.C. 2011); *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150, 1154 (D. Or. 2011); *MMM Healthcare, Inc. v. MCS Health Mgmt. Options*, 818 F. Supp. 2d 439, 448 (D.P.R. 2011); *Suntree Techs., Inc. v. EcoSense Int'l, Inc.*, 802 F. Supp. 2d 1273, 1287 (M.D. Fla. 2011), *aff'd*, 693 F.3d 1338 (11th Cir. 2012); *Zero Motorcycles, Inc. v. Pirelli Tyre S.p.A.*, 802 F. Supp. 2d 1078, 1087 (N.D. Cal. 2011); *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 808-09 (D. Minn. 2011); *Empire Today, LLC v. Nat'l Floors Direct, Inc.*, 788 F. Supp. 2d 7, 26 (D. Mass. 2011); *see also* *Kendall Holdings, Ltd. v. Eden Cryogenics LLC*, 846 F. Supp. 2d 805, 821 (S.D. Ohio 2012) (applying substantively identical five-factor test under Ohio Deceptive Trade Practices Act, Ohio Rev. Code Ann. § 4165.02 (West 2009)).

1129. *See MMM Healthcare*, 818 F. Supp. 2d at 447. The court did, however, hold that the allegations of false advertising before it satisfied the requirements of Rule 9 in any case. *See id.* at 447-48.

(1) Proving False Statements of Fact in Commercial Advertising and Promotion

i. Commercial Advertising and Promotion

(A) Opinions Finding Commercial Advertising and Promotion

One court invoked the conventional four-factor test for weighing the sufficiency of claims of commercial advertising or promotion:

To constitute commercial advertising or promotion, the representation must (a) constitute commercial speech (b) made with the intent of influencing potential customers to purchase the speaker's goods or services (c) by a speaker who is a competitor of the plaintiff in some line of trade or commerce and (d) disseminated to the consuming public in such a way as to constitute "advertising" or "promotion." To pass the pleading threshold in a Lanham Act § 43(a)(1)(B) case, a plaintiff at the very least must identify some medium or means through which the defendant disseminated information to a particular class of consumers.¹¹³⁰

Following its articulation of this standard, one court observed that "[t]he 'core notion' of commercial speech is 'speech which does no more than propose a commercial transaction.'"¹¹³¹ It then turned to the representations in question, which allegedly had been communicated by a group of defendants to members of an insurance program offered by the plaintiff.¹¹³² The representations fell into two categories: (1) those contained in two mailings to the plaintiff's customers; and (2) those advanced by the defendants' representatives in visits to the homes of those customers. Because, at least for purposes of notice pleading principles, the challenged representations satisfied all prongs of the relevant test, the court declined to dismiss the plaintiff's allegations of false advertising at the pleadings stage.¹¹³³

The last of the four factors in the conventional test for commercial advertising and promotion took center stage in another case.¹¹³⁴ The plaintiff had entered into a distributorship agreement

1130. *Id.* at 450-51 (internal quotation marks omitted); *see also* *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150, 1154 (D. Or. 2011).

1131. *MMM Healthcare*, 818 F. Supp. 2d at 451 (quoting *Landrau v. Solis-Betancourt, Inc.*, 554 F. Supp. 2d 117, 123 (D.P.R. 2008) (quoting *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 422 (1993) (internal quotation marks omitted))).

1132. *See id.*

1133. *See id.*

1134. *See TriState HVAC Equip., LLP v. Big Belly Solar, Inc.*, 836 F. Supp. 2d 274 (E.D. Pa. 2011).

with the defendant, a producer of solar-powered trash compactors, and had laid the groundwork for a purchase of the plaintiff's products by the city of Philadelphia. When the city purchased compactors directly from the defendant, the parties parted ways over whether the plaintiff was entitled to compensation under the distributorship agreement. Among other claims asserted by the plaintiff in the ensuing litigation was that the defendant had falsely represented to the city that the city could make its purchases directly from the defendant.¹¹³⁵

Arguing that “the most that can be said is that [the defendant] made one or two oral statements to City representatives and sent a single letter to the Streets Department,”¹¹³⁶ the defendant moved to dismiss the plaintiff's false advertising cause of action on the ground that the plaintiff had failed to identify “any type of traditional form of advertising.”¹¹³⁷ The court was disinclined to resolve the issue at the pleadings stage, in part because of the cursory nature of the plaintiff's allegations. As it noted, “[w]here the potential purchasers in the market are relatively limited in number, even a single promotional presentation to an individual purchaser may be enough to trigger the protections of the Act.”¹¹³⁸ Because “there are no allegations in [the] amended complaint regarding the size of the relevant market or the number of accounts [the defendant] was targeting,” the defendant's motion fell short.¹¹³⁹

(B) Opinions Declining to Find Commercial Advertising and Promotion

Two courts addressing Section 43(a)'s requirement that defendants be engaged in “commercial advertising and promotion” conflated that language with the concept of “commercial speech” in the First Amendment context. The first took the aggressive step of dismissing allegations of commercial advertising and promotion at the pleadings stage.¹¹⁴⁰ Those allegations were brought by a manufacturer of anchors used to secure digital switching cabinets. The gravamen of the plaintiff's false advertising claim was that an employee of one of the defendants had sent an e-mail and posted statements on the Internet that between them expressed concern about the performance of the plaintiff's goods and recommended

1135. *See id.* at 277-79.

1136. *Quoted in id.* at 286.

1137. *Quoted in id.*

1138. *Id.* at 287 (alteration in original) (quoting *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1386 (5th Cir. 1996)).

1139. *Id.*

1140. *See Boykin Anchor Co. v. AT&T Corp.*, 825 F. Supp. 2d 706 (E.D.N.C. 2011).

that consumers should be using only anchors manufactured by a competitor of the plaintiff.¹¹⁴¹ Although the plaintiff alleged that its anchors, in fact, had no performance issues, the court held that the communications at issue were not commercial advertising and promotion because: (1) the communications were not commercial speech because they did not propose a commercial transaction; (2) neither the employee nor his employer was in competition with the plaintiff; and (3) “there is no indication that [the employee’s] internet postings were designed to influence consumers to buy products or services provided by [the employee] or [his employer], as opposed to [the plaintiff’s sole competitor.]”¹¹⁴² Accordingly, the plaintiff’s cause of action was dismissed for failure to state a claim.¹¹⁴³

The second court similarly applied a commercial-speech rubric, albeit at the summary judgment stage of the case before it.¹¹⁴⁴ The allegedly false advertising at issue was a notice posted by the operator of grain elevators to the effect that it was “unable to accept” certain transgenic corn grown by seeds sold by the plaintiff because the corn had not received “approval from major export destinations for the U.S.”¹¹⁴⁵ In granting the defendant’s motion for judgment as a matter of law, the court applied Eighth Circuit authority holding “commercial speech” to be “threshold requirement for Lanham Act liability.”¹¹⁴⁶ It then noted that “[t]hree factors govern whether speech is commercial: (i) whether the communication is an advertisement, (ii) whether it refers to a specific product or service, and (iii) whether the speaker has an economic motivation for the speech.”¹¹⁴⁷ Because neither the second nor the third of these factors has an apparent basis in Section 43(a)’s express text, it was perhaps appropriate that the court’s disposition of the case focused only on the first:

[A]n “advertisement” is speech that propose[s] a commercial transaction. . . . While [the defendant’s] sign stating its Policy certainly *relates* to commercial transactions, it does not *propose* any transaction with [the defendant] (or any rejection of any transaction with [the plaintiff]); rather, it is a statement that [the defendant] *will not* enter into transactions

1141. *See id.* at 708.

1142. *Id.* at 711.

1143. *See id.*

1144. *See Syngenta Seeds, Inc. v. Bunge N. Am., Inc.*, 820 F. Supp. 2d 953 (N.D. Iowa 2011).

1145. *Quoted in id.* at 959, 960.

1146. *Id.* at 986 (quoting *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1120 (8th Cir. 1999)).

1147. *Id.* (quoting *Porous Media*, 173 F.3d at 1120).

for delivery of [the plaintiff's transgenic] corn. It is not enough, as [the plaintiff] urges, to find that [the defendant] is not a disinterested, non-commercial party, but one that shares common customers with [the plaintiff]. That fact, even if true, does not establish that the speech in question proposes a commercial transaction.¹¹⁴⁸

In contrast, it was the application of the four-factor test that produced a finding as a matter of law that two different types of documents did not constitute actionable commercial advertising and promotion.¹¹⁴⁹ The first was a presentation on how to maintain goods sold by the lead defendant: Although it was undisputed that the presentation contained photographs of the plaintiff's competitive goods, the court concluded that that inaccuracy was nonactionable both because the presentation's purpose "was not to influence consumers to purchase [the lead defendant's] product but rather to provide training to those who had already done so"¹¹⁵⁰ and because the presentation's distribution to two purchasers and its brief availability on the lead defendant's website "did not result in sufficient dissemination to the relevant purchasing public."¹¹⁵¹ The second was a sales brochure produced by the lead defendant that also featured a stray photograph of the plaintiff's product, as to which the court found that "[the plaintiff] has failed to present any evidence relating to the brochure's dissemination, and, due to the sophistication of the [parties'] consumers, it is unlikely that a simple product brochure could influence them to purchase [the lead defendant's] [goods]."¹¹⁵²

Another court disposing of a claim of commercial advertising and promotion as a matter of law did so at the pleadings stage after the plaintiff sought leave to amend its complaint to add a Section 43(a) cause of action.¹¹⁵³ According to the proposed

1148. *Id.* at 987 (citations omitted) (internal quotation marks omitted).

1149. According to the particular variation of the test at issue:

[F]or representations to constitute "commercial advertising or promotion" under Section 43(a)(1)(B), they must be: (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. While the representations need not be made in a "classic advertising campaign," but may consist instead of more informal types of "promotion," the representations (4) must be disseminated sufficiently to the relevant purchasing public to constitute "advertising" or "promotion" within that industry.

Suntree Techs., Inc. v. EcoSense Int'l, Inc., 802 F. Supp. 2d 1273, 1286 (M.D. Fla. 2011) (quoting *Gordon & Breach Sci. Publ'rs S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1535-36 (S.D.N.Y. 1994)), *aff'd*, 693 F.3d 1338 (11th Cir. 2012).

1150. *Id.* at 1287.

1151. *Id.*

1152. *Id.*

1153. *See* *Zero Motorcycles, Inc. v. Pirelli Tyre S.p.A.*, 802 F. Supp. 2d 1078 (N.D. Cal. 2011).

amendment, the defendant had disparaged the plaintiff's goods by applying to register a mark identical to that of the plaintiff and by averring in cancellation petitions that the parties' marks were confusingly similar. Not surprisingly, the court declined to allow the amendment. To begin with, the court held, "the alleged misstatements were made to the PTO, and not in the course of commercial advertising or promotion."¹¹⁵⁴ Moreover, "the alleged misstatements pertain to Plaintiff's marks, not its goods or services."¹¹⁵⁵

ii. Falsity

As always, where the first prong of the analysis was concerned, courts generally recognized that "[t]here are two different theories of recovery for false advertising under § 43(a): '(1) an advertisement may be false on its face; or (2) the advertisement may be literally true, but given the merchandising context, it nevertheless is likely to mislead and confuse consumers.'"¹¹⁵⁶ Both types of allegedly false statements came into play over the past year.

(A) Literally False Statements of Fact

Although doing so in an appeal in a consumer class action suit under Minnesota law, the Eighth Circuit opined that, under the Lanham Act:

The standard for proving literal falsity is rigorous. Only an *unambiguous* message can be literally false. When an ad can reasonably be understood as conveying different messages, a literal falsity argument must fail.

. . . .

. . . The Lanham Act doctrine of literal falsity is reserved for an ad that is unambiguously false *and* misleading—the patently false statement that means what it says to any linguistically competent person.¹¹⁵⁷

1154. *Id.* at 1087.

1155. *Id.*

1156. *Benihana of Tokoyo, Inc. v. Benihana, Inc.*, 828 F. Supp. 2d 720, 729 (D. Del. 2011); *accord T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121, 1129 (W.D. Wash. 2012); *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934, 946 (E.D. Wis. 2012); *Church & Dwight Co. v. Clorox Co.*, 840 F. Supp. 2d 717, 720 (S.D.N.Y. 2012); *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150, 1155 (D. Or. 2011); *MMM Healthcare, Inc. v. MCS Health Mgmt. Options*, 818 F. Supp. 2d 439, 450 (D.P.R. 2011); *Suntree Techs., Inc. v. EcoSense Int'l, Inc.*, 802 F. Supp. 2d 1273, 1287 (M.D. Fla. 2011), *aff'd*, 693 F.3d 1338 (11th Cir. 2012).

1157. *See Buetow v. A.L.S. Enters.*, 650 F.3d 1178, 1185-86 (8th Cir. 2011) (alterations omitted) (internal quotation marks omitted).

Although proving literal falsity under this and similar standards can be difficult, it is not impossible.¹¹⁵⁸ For example, a provider of wireless telecommunications services successfully prosecuted an allegation of literal falsity against a defendant who had posted a sign in his store and conducted online advertising that inaccurately advised consumers that he was an authorized dealer of the plaintiff; the same sign and other promotional material falsely held the defendant out as being able to enter into flat-rate monthly service plans on the plaintiff's behalf without credit checks.¹¹⁵⁹ What the defendant really had to offer were cell phones and SIM cards, which, although genuine and bearing the plaintiff's marks, had been illegally activated. Based in part on evidence that dissatisfied customers of the defendant had complained to the plaintiff, the court easily concluded on the plaintiff's motion for summary judgment that "[i]t is undeniable that Defendant's advertisements misrepresent the nature, characteristics, and/or qualities of Defendant's infringing products. Defendant's false and deceptive advertising on the internet and otherwise has a material effect on purchasing decisions, affects interstate commerce, and continues to cause irreparable injury to [the plaintiff]" ¹¹⁶⁰

Another opinion finding literally false representations demonstrated the reach of the literally-false-by-implication doctrine, under which, the court noted:

[A] company's claims about particular aspects of its product may necessarily imply more sweeping claims about the product, and these implied claims may be literally false within the meaning of the Lanham Act. A court must analyze the disputed message in its full context to determine whether its words or images, considered in context, necessarily imply a false message. Because an implication must be necessary in order to render the . . . claims false, if the language or graphic is susceptible to more than one reasonable interpretation, the advertisement cannot be literally false.¹¹⁶¹

The claims subjected to this treatment were grounded in the conclusions of eleven panelists, who had earned their pay by

1158. See, e.g., *Leatherman Tool Grp.*, 823 F. Supp. 2d at 1154 (finding that the defendant had "indirectly admitted" the literal falsity of its advertising "[t]hrough its corrective actions"); see also *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 811-13 (D. Minn. 2011) (concluding that reasonable jury could conclude that defendants' alleged manipulation of photographs to make their goods appear larger could constitute literally false advertising).

1159. See *T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121, 1129-30 (W.D. Wash. 2012).

1160. *Id.* at 1130.

1161. *Church & Dwight Co. v. Clorox Co.*, 840 F. Supp. 2d 717, 721 (S.D.N.Y. 2012) (citations omitted) (internal quotation marks omitted).

smelling carbon-based and baking-soda-based cat litter products that been mixed with feline urine and feces and then sealed in containers for varying degrees of time.¹¹⁶² Based on those conclusions, which included a unanimous consensus that no odors were detectable in test containers of carbon-based litter and excrement, the defendant ran television advertising claiming that carbon-based litter (which the defendant sold) was more effective at reducing odor than baking soda-based litter (which the plaintiff sold).¹¹⁶³ In entering a preliminary injunction, the court took a dim view of the defendant's "Jar Test":

The Jar Test cannot reasonably support the necessary implication that [the defendant's] litter outperforms [the plaintiff's] products in eliminating odor in cat litters. As noted above, [the defendant] sealed the jars of cat waste for twenty-two to twenty-six hours before subjecting them to testing. In actual practice, however, cats do not seal their waste, and smells offend as much during the first twenty-two hours as they do afterwards. Thus, the Jar Test's unrealistic conditions say little, if anything, about how carbon performs in cat litter in circumstances highly relevant to a reasonable consumer. . . . Given that the Jar Test says little about how substances perform in litter as opposed to jars, it cannot possibly support [the defendant's] very specific claims with regard to litter. Consequently, the necessarily contrary implication of [the defendant's] commercials is literally false.¹¹⁶⁴

Also found convincing was the plaintiff's argument that, as characterized by the court, "humans are 'noisy instruments' that, for neurological reasons, perceive the exact same thing differently at different times and report the presence of olfactory stimuli even where they do not exist."¹¹⁶⁵ There were three reasons for this, the first of which was that the preliminary injunction record

1162. *See id.* at 720.

1163. The defendant's commercial referred to the panel's findings only obliquely:

The commercial [features] a demonstration that displays two laboratory beakers. One beaker is represented as [the defendant's litter] and the bottom of it is filled with a black substance labeled "carbon." The other beaker is filled with a white substance labeled "baking soda." While the second beaker is not identified as any specific brand of cat litter, [the plaintiff] is the only major cat litter brand that uses baking soda. Green gas is then shown floating through the beakers and the voiceover continues: "So we make [the plaintiff's] scoopable litter with carbon, which is more effective at absorbing odors than baking soda." The green gas in the Fresh Step beaker then rapidly evaporates while the gas level in the baking soda beaker barely changes. During this dramatization, small text appears at the bottom of the screen informing the viewer that Clorox's claims are "[b]ased on [a] sensory lab test."

Id. at 719 (citations omitted).

1164. *Id.* at 721-22.

1165. *Id.* at 722.

demonstrated that, although an expert witness retained by the defendant had trained the defendant's panelists to review the samples placed before using the same benchmark,¹¹⁶⁶ "in an internal panel validation test report—which involved cat litter—[the defendant's] panelists gave an average malodor score of greater than zero to a box of litter that admittedly contained no excrement."¹¹⁶⁷ The second was that "in an earlier iteration of the Jar Test, eighteen percent of trials resulted in a report of some malodor in jars of excrement treated with carbon[, *i.e.*, the active ingredient in the defendant's product]."¹¹⁶⁸ And the third was that even the defendant's expert acknowledged that "[f]or a variety of physiological and psychological reasons, humans do not perceive and report exactly the same value when evaluating the same sample repeatedly."¹¹⁶⁹ Based on the additional consideration that "it is highly implausible that eleven panelists would stick their noses in jars of excrement and report forty-four independent times that they smelled nothing unpleasant," the court concluded that "the results of the Jar Test are 'not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited' in [the defendant's] commercial."¹¹⁷⁰

Advertising concerning a considerably less scatological topic, namely, the ability of snow plows to "trip" over obstacles, produced two separate findings of literal falsity in a dispute between manufacturers of those goods.¹¹⁷¹ One set of advertisements by the defendant stated without qualification that the plaintiff's plows could not trip when configured in a particular manner, but, as the court found, even the defendant's video footage of its tests on the plaintiff's plow "confirms that the [plaintiff's] plow can and does

1166. The court noted that:

[The defendant] trained the eleven panelists used in the Jar Test to evaluate odors on a specific scale, which its expert witness devised. According to [the defendant], the sensory evaluation method here employed by [the defendant] has been reviewed in textbooks and peer-reviewed journals, and is taught in more than forty universities in the United States. Over the course of their training, panelists smelled identical smells at different levels of intensity in order to develop a common metric for pungency. Panelists also smelled different litter products, both with and without cat excrement, in order to learn to discriminate between cat malodor and other odors present in litter. Clorox taught its panelists that, when they could not detect a certain olfactory stimuli, they should note that absence by giving that odor a rating of zero.

Id. at 720-21 (citations omitted).

1167. *Id.* at 722.

1168. *Id.*

1169. *Quoted in id.*

1170. *Id.* at 722 (quoting *Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62-63 (2d Cir. 1992)).

1171. *See N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934 (E.D. Wis. 2012).

trip and clear obstacles in those positions”;¹¹⁷² that evidence was buttressed by footage taken by the plaintiff showing the same thing.¹¹⁷³ Another set of promotional materials, which suggested that users of the plaintiff’s plows were at risk of serious injury,¹¹⁷⁴ was equally unsubstantiated and was also found to be literally false.¹¹⁷⁵

Three findings of literally false representations occurred in an opinion granting a preliminary injunction in a case brought by a pair of participants in the plush toy industry against an equal number of their competitors.¹¹⁷⁶ One of the findings was against the defendants’ use of the phrase “As Seen On TV,” when, in fact, it was “uncontested . . . that defendants have never actually marketed their products on television.”¹¹⁷⁷ The second arose out of the defendants’ admitted use on their own website of “at least one favorable product review of *plaintiffs’* product line” and led just as quickly to a determination that the plaintiffs were likely to prevail on the merits of their claim.¹¹⁷⁸ Finally, the third targeted the defendants’ practice of referring to their goods as “original” and “authentic,” concerning which the court found that “[i]t is clear that the only impetus to use the terms . . . is to unfairly reap profit from plaintiffs’ extensive marketing campaign.”¹¹⁷⁹

Other claims of literally false advertising were less successful. One was grounded in the theory that the defendants had offered either to beat competitors’ prices by 15 percent or to provide their goods and services for free but had failed to deliver on that promise.¹¹⁸⁰ A jury found in the defendants’ favor, and the federal district court hearing the case declined to set aside that verdict. It explained that “[a]ll of Plaintiff’s examples of alleged falsity of [the defendants’] 15% Promotion are defeated by the fact that [the defendants’] 15% Promotion was subject to certain conditions,”¹¹⁸¹

1172. *Id.* at 946.

1173. *See id.*

1174. Among other things, the defendant referred to the plaintiff’s plows with the statements “you’re in the crash zone,” “the results aren’t pretty,” and “[y]ou know the story,” *quoted in id.* at 948; although not playing a role in the court’s decision, other advertisements placed by the defendant featured “a photograph of a man with a bloody face holding a piece of raw meat against an eye” and “a photograph of a physician examining two skull x-rays, one of which shows a fracture—the x-ray with the fracture has [the plaintiff’s trademark] written on it in stylized letters.” *Id.* at 941-42.

1175. *See id.* at 947-48.

1176. *See* CJ Prods. LLC v. Snuggly Plushez LLC, 809 F. Supp. 2d 127 (E.D.N.Y. 2011).

1177. *Id.* at 147.

1178. *See id.* at 148.

1179. *Id.*

1180. *See* Empire Today, LLC v. Nat’l Floors Direct, Inc., 788 F. Supp. 2d 7 (D. Mass. 2011).

1181. *Id.* at 27.

none of which was satisfied in the transactions in question.¹¹⁸² That the defendants had never made good on the free component of their offer did not mandate a contrary result: “Just because [the lead defendant] has never been in a position to give away anything for free does not mean that it would not readily do so if it were unable to lower the price by 15% on a qualifying offer.”¹¹⁸³

Another allegation of literally false advertising did not even make it to a jury but instead fell victim to a defense motion for summary judgment.¹¹⁸⁴ The subject of the plaintiff’s objections was the lead defendant’s distribution of two documents, which, although ostensibly about a product sold by the lead defendant, featured photographs of the plaintiff’s directly competitive product. The court was disinclined to find that the lead defendant’s conduct fell within the definition of literal falsity. Specifically, “[n]either [document] mentions [the plaintiff’s] product. The only alleged ‘false statement’ is the juxtaposition of a picture of [the plaintiff’s] product to statements about [the lead defendant’s] products. Due to the ambiguity of this representation, it is not literally false. At most, this may be a misleading representation.”¹¹⁸⁵

(B) Literally True But Misleading Statements of Fact

The past year produced something less than a bumper crop of reported opinions finding that particular representations were literally true but nevertheless actionable because they were misleading in context.¹¹⁸⁶ One such determination came in a challenge to advertising indicating that the blades on snowplows manufactured by the defendant would “trip” when encountering an obstacle and therefore were safer than the blades on the plaintiff’s plows.¹¹⁸⁷ The advertising suggested that the shape of the defendant’s blades allowed them to trip over any obstacle, regardless of the configuration in which they were installed, but test results demonstrated that suggestion was inaccurate. The results also demonstrated, however, that the tripping ability of the defendant’s blades varied with the height of the obstacles in their path and the degree of wear on their edges, rather than the blades’

1182. *See id.* at 27-29.

1183. *Id.* at 29.

1184. *See* *Suntree Techs., Inc. v. EcoSense Int’l, Inc.*, 802 F. Supp. 2d 1273, 1286 (M.D. Fla. 2011), *aff’d*, 693 F.3d 1338 (11th Cir. 2012).

1185. *Id.* at 1287.

1186. For an example of an opinion reaching such a conclusion in the context of a motion to dismiss, see *MMM Healthcare, Inc. v. MCS Healthcare Mgmt. Options*, 818 F. Supp. 2d 439, 450 (D.P.R. 2011).

1187. *See* *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934 (E.D. Wis. 2012). According to testimony in the case, “tripping is when the blade folds forward to get over an obstacle.” *Quoted in id.* at 938.

shape. From this, the court concluded that “[the] safety claim that the [defendant’s] v-plows trip over objects in any configuration is not literally false or ambiguous. However, it conveys a false impression or is misleading in context [in] that [the defendant’s] trip-edge v-plows will trip over any obstacle.”¹¹⁸⁸

(2) Proving Actual or Likely Deception

In applications of the five-part test for liability, “[t]he second element of a false advertising claim requires that the [challenged] statement actually deceive or has a tendency to deceive a substantial portion of its audience.”¹¹⁸⁹ Nevertheless, “[s]tatements that are literally false are presumed to have a tendency to deceive.”¹¹⁹⁰ As a consequence, a number of plaintiffs were able to make the required showing under this factor by proving literal falsity on preliminary injunction motions¹¹⁹¹ or at the proof stage of their cases;¹¹⁹² another successfully defeated a defense motion for summary judgment by invoking the same principle.¹¹⁹³

In contrast, if claims of falsity are grounded in the theory that the representation in question was literally true but ambiguous, plaintiffs are generally required to prove actual or likely deception through the submission of survey evidence.¹¹⁹⁴ One court therefore declined to set aside a jury’s rejection of a false advertising claim

1188. *Id.* at 948.

1189. *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150, 1155 (D. Or. 2011).

1190. *Id.*; *accord* *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934, 946 (E.D. Wis. 2012); *Benihana of Tokoyo, Inc. v. Benihana, Inc.*, 828 F. Supp. 2d 720, 729 (D. Del. 2011); *MMM Healthcare, Inc. v. MCS Healthcare Mgmt. Options*, 818 F. Supp. 2d 439, 450 (D.P.R. 2011); *Empire Today, LLC v. Nat’l Floors Direct, Inc.*, 788 F. Supp. 2d 7, 27 (D. Mass. 2011).

1191. *See, e.g., N. Star Indus.*, 848 F. Supp. 2d at 947, 948; *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 147 (E.D.N.Y. 2011).

1192. *See, e.g., Leatherman Tool Grp.*, 823 F. Supp. 2d at 1155.

1193. *See Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 813 (D. Minn. 2011).

1194. *See, e.g., MMM Healthcare*, 818 F. Supp. 2d at 450 (“Consumer deception maybe [sic] demonstrated through surveys, which establish[] that consumers were misled by the alleged representations.”); *Gameologist Grp. v. Sci. Games Int’l, Inc.*, 838 F. Supp. 2d 141, 165 (S.D.N.Y. 2011) (“In order to demonstrate that an advertisement is likely to deceive or confuse customers, a plaintiff must produce some extrinsic evidence of such consumer deception or confusion, even at the summary judgment stage.”); *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 147 (E.D.N.Y. 2011) (“To be literally false . . . , the message must be unambiguous; if the representation is susceptible to more than one reasonable interpretation, the advertisement cannot be literally false and the advertisement is actionable under the Lanham Act only upon a showing of actual consumer confusion.” (internal quotation marks omitted)); *see also KDH Elec. Sys., Inc. v. Curtis Tech. Ltd.*, 826 F. Supp. 2d 782, 806-07 (E.D. Pa. 2011) (granting motion to dismiss for failure to state a claim based on plaintiffs’ failure to allege either literal falsity or actual deception).

in part because “Plaintiff does not argue that the alleged misrepresentation deceived a substantial portion of the consuming public. Plaintiff has not shown through consumer surveys, for instance, that consumers were misled by the alleged misrepresentation.”¹¹⁹⁵ Another partially denied a motion for preliminary injunctive relief because “[the plaintiff] has not presented any evidence of actual deception based on the false impression created by [the defendant]”¹¹⁹⁶

In contrast, a Florida district court applying Eleventh Circuit authority adopted a more flexible standard but reached much the same outcome.¹¹⁹⁷ It held that “to prove deception, consumer survey research is often key evidence, but, if full-blown consumer surveys or market research are not available, the plaintiff still must provide some sort of expert testimony or similar evidence.”¹¹⁹⁸ In response to the defendants’ motion for summary judgment, the court noted that “[the plaintiff] has provided no survey evidence or expert testimony regarding customer deception.”¹¹⁹⁹ Instead, the plaintiff relied to its detriment on the deposition testimony of a single fact witness to the effect that a document challenged by the plaintiff gave the impression that it contained photographs of the lead defendant’s product when, in fact, the plaintiff’s directly competitive product was featured in some of the photographs. This showing was insufficient to ward off the grant of the defendants’ motion because “[the witness] is not an expert, and such a singular statement does not establish deception.”¹²⁰⁰

(3) Materiality

“The materiality component of a false advertising claim requires a plaintiff to prove that the defendant’s deception is ‘likely to influence the purchasing decision.’”¹²⁰¹ Beyond its significance to the actual or likely deception inquiry, survey evidence also can be

1195. *Empire Today, LLC v. Nat’l Floors Direct, Inc.*, 788 F. Supp. 2d 7, 29-30 (D. Mass. 2011).

1196. *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934, 948 (E.D. Wis. 2012).

1197. *See Suntree Techs., Inc. v. EcoSense Int’l, Inc.*, 802 F. Supp. 2d 1273, 1286 (M.D. Fla. 2011), *aff’d*, 693 F.3d 1338 (11th Cir. 2012).

1198. *Id.* at 1288 (citations omitted) (internal quotation marks omitted).

1199. *Id.*

1200. *Id.*

1201. *MMM Healthcare, Inc. v. MCS Health Mgmt. Options*, 818 F. Supp. 2d 439, 449 (D.P.R. 2011) (quoting *Clorox Co. P.R. v. Procter & Gamble Commercial Co.*, 228 F.3d 24, 33 n.6 (1st Cir. 2000)); *see also Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 813 (D. Minn. 2011) (“A Lanham Act plaintiff must prove that the deception is likely to influence consumers’ purchasing decisions.”).

probative of the materiality of allegedly false advertising.¹²⁰² Nevertheless, the Ninth Circuit rejected the proposition that survey results were necessary to a finding of materiality in litigation between participants in the skydiving industry.¹²⁰³ The plaintiff actually hosted skydives, while the defendants provided advertising and booking services. The plaintiff established as a matter of law that the defendants had misled consumers by suggesting that the defendants themselves operated skydiving facilities and that the plaintiff would honor orders placed with the defendants. Rather than introducing survey evidence, the plaintiff instead relied on a consumer declaration averring that the declarant had personally done business with the defendants based on the defendants' representations and advertisements that he could redeem his order with the plaintiff; this showing was buttressed with "evidence of numerous consumers who telephoned or came to [the plaintiff's] facility after having been deceived into believing there was an affiliation between [the plaintiff] and [the defendants]."¹²⁰⁴ Affirming the district court's finding of materiality as a matter of law, the appellate court rejected the defendants' argument that the absence of survey evidence should have been fatal to the plaintiff's motion for partial summary judgment: "Although a consumer survey could . . . have proven materiality in this case, we decline to hold that it was the *only* way."¹²⁰⁵

If declaration testimony thus can place the materiality of a challenged representation beyond dispute, so too can deposition testimony create a factual dispute on the same issue in response to a defense motion for summary judgment. For example, in support of its allegations that a group of competitors falsely had represented the "heat leak values" of their cryogenic equipment, one plaintiff was able to point to testimony by the defendants' own expert that, as the court summarized it, "the heat leak values are an important way that cryogenics companies market their products and distinguish themselves from their competitors."¹²⁰⁶ The plaintiff also adduced testimony from its own principal that he had been required to demonstrate to a customer the equivalency of his company's products to those of the defendants.¹²⁰⁷ Not

1202. See, e.g., *Aviva Sports*, 829 F. Supp. 2d at 814, 822 (admitting and accepting survey results as evidence of materiality).

1203. See *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105 (9th Cir. 2012).

1204. *Id.* at 1111.

1205. *Id.*

1206. *Kendall Holdings, Ltd. v. Eden Cryogenics LLC*, 846 F. Supp. 2d 805, 821 (S.D. Ohio 2012).

1207. See *id.*

surprisingly, the court concluded from the record that “the evidence . . . ‘presents a sufficient disagreement to require submission to a jury’ as opposed to being so one-sided that [the defendant] must prevail as a matter of law.”¹²⁰⁸

In concluding that a plaintiff had successfully pleaded materiality to defeat a motion to dismiss for failure to state a claim, a different court identified another way in which the requirement could be satisfied: “One method of establishing materiality involves showing that the false or misleading statement relates to an ‘inherent quality or characteristic’ of the product.”¹²⁰⁹ The allegedly false statements at issue had been made to members of an insurance program offered by the plaintiff advising them that they were no longer eligible for services from their current healthcare provider and welcoming them to their “new coverage” with the defendants; according to the complaint, representatives of the defendants also had passed themselves off as representatives of the plaintiff to encourage members of the plaintiff’s program to enroll in the defendants’ program.¹²¹⁰ Without going into details, the court declined to dismiss the action, holding instead that the defendants’ alleged misrepresentations were material because they related to “a characteristic that defines the insurance product at issue, as well as the market in which it is sold.”¹²¹¹ As it further explained, “[t]he plaintiffs are not required to present allegations that defendants’ misrepresentation actually influenced consumers’ purchasing decisions. At this stage, the only requisite necessary as to the pleadings is that was **likely** to influence them”¹²¹²

A more expansive application of the inherent quality or characteristic test emerged from a challenge to a representation by a pair of defendants that their plush stuffed toys were “As Seen On TV,” when in fact, the toys had never been advertised on television.¹²¹³ The court found the test satisfied using the following logic:

Here, “As Seen On TV” does, indeed, pertain to an inherent feature of the product. The phrase signifies a specific product . . . with which the consumer is likely familiar by virtue of plaintiffs’ extensive television advertising [of its competitive

1208. *Id.* at 822 (first alteration in original) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 251-52 (1986)).

1209. *MMM Healthcare, Inc. v. MCS Health Mgmt. Options*, 818 F. Supp. 2d 439, 449 (D.P.R. 2011).

1210. *See id.* at 445.

1211. *Id.* at 449-50.

1212. *Id.* at 450.

1213. *See CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127 (E.D.N.Y. 2011).

product] and jingle. The misuse of the “As Seen On TV” slogan thus would likely affect . . . a consumer’s purchasing decision, in that the consumer would believe the product to be the [product] it associates with extensive television marketing.¹²¹⁴

The court was on less shaky ground with its subsequent finding that “plaintiffs’ submissions show that this is the case by putting forth evidence of some cases of actual confusion.”¹²¹⁵

In contrast, another court took a much harder line toward the plaintiff’s showing of materiality in a case in which the parties competed in the market for “baffle boxes” used to remove debris and other substances from stormwater.¹²¹⁶ The challenged advertising consisted of two documents putatively about the lead defendant’s boxes but that featured photographs of boxes sold by the plaintiff. The court entered summary judgment in the defendant’s favor, in part because the record demonstrated that:

[N]either the representations [in the first document] nor those in the [second document] are likely to have any influence on purchasing decisions. Bids for projects [requiring baffle boxes] are mainly determined by the price of the overall bid, and decisions about which specific products will be used on these types of projects are made by engineers who look at product specifications, not advertisements.¹²¹⁷

(4) Interstate Commerce

The issue of whether particular advertisements affect interstate commerce is usually not addressed with any frequency in reported opinions, but one court made short work of a motion to dismiss grounded in part in the theory that the defendants’ advertisements failed to satisfy this requirement.¹²¹⁸ The plaintiff, a New York-based insurer, contracted with the federal government and that of Puerto Rico to provide services to residents of that territory; according to its complaint, the plaintiff also regularly paid claims outside of Puerto Rico. These considerations were enough to establish, a least for purposes of a motion to dismiss, that the defendants’ conduct, which had targeted Puerto Rico residents participating in a program offered by the plaintiff, affected interstate commerce.¹²¹⁹

1214. *Id.* at 147.

1215. *Id.*

1216. *See* *Suntree Techs., Inc. v. EcoSense Int’l, Inc.*, 802 F. Supp. 2d 1273 (M.D. Fla. 2011), *aff’d*, 693 F.3d 1338 (11th Cir. 2012).

1217. *Id.* at 1288.

1218. *See* *MMM Healthcare, Inc. v. MCS Health Care Mgmt. Options*, 818 F. Supp. 2d 439 (D.P.R. 2011).

1219. *See id.* at 451.

The extent to which false advertising had been disseminated in interstate commerce also proved to be a no-brainer in a different case.¹²²⁰ Based on the preliminary injunction record, the court found that “[t]he false statements appeared on [the defendant’s] website, product packaging, catalogs, and on the product itself. [The defendant] admits that it has a distribution network of over 10,000 retail outlets in the United States and a presence in approximately 30 foreign countries.”¹²²¹ “This admission,” the court concluded, “is sufficient to show that the false statements entered interstate commerce.”¹²²²

(5) Causation and Likelihood of Injury

A few courts delivered up reminders that causation and actual or likely damage are required elements of a prima facie case of false advertising.¹²²³ One was an Idaho federal district court hearing a case arising from an allegedly false statement posted to an online forum operated by the lead defendant.¹²²⁴ Although unaffiliated with the defendant at the time he made the challenged statements, the posting party eventually became a moderator of the forum, at which point his new status was retroactively reflected in the signature of his prior posts. The court dismissed the plaintiff’s false advertising allegations on summary judgment for several reasons, not the least of which was that:

[The plaintiff] cannot prove it suffered any damages. Indeed, [the plaintiff] does not even have evidence that anyone saw the post made by [the moderator]. The . . . post was the last in a thread; no one responded to the post. Moreover, [the moderator] did not become a moderator until a year and a half after the post was made. And there is even less evidence to suggest that a forum member went back and retrieved the post a year and a half later and saw [the moderator’s] name in boldface type indicating his moderator status. Without some proof that someone saw the post and attributed it to [the defendant], there is no injury that can be readily traced back to [the defendant].¹²²⁵

1220. See *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150 (D. Or. 2011).

1221. *Id.* at 1156.

1222. *Id.*

1223. See, e.g., *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 817 (D. Minn. 2011) (granting defense motion for summary judgment on ground that “[w]ithout evidence connecting [the defendants’] advertising practices to [the plaintiff’s] losses, a jury would have to make too great an analytical leap to conclude that [the plaintiff’s] losses were caused by [the defendants’] false advertising”).

1224. See, e.g., *Cornelius v. Bodybuilding.com LLC*, 100 U.S.P.Q.2d 1483 (D. Idaho 2011).

1225. *Id.* at 1488 (citations omitted).

A Massachusetts federal district court also took a dim view of a plaintiff's allegations of causation.¹²²⁶ The advertising at issue was an offer by the defendants to beat any competitive offer by 15 percent or to provide their carpet and flooring products for free. A jury found in the defendants' favor, and that finding withstood a post-trial attack by the plaintiff:

The evidence does not demonstrate a causal connection between [the Defendants'] representations and the alleged harm that Plaintiff sustained. . . . Rather, the evidence provided a bounty of reasons for Plaintiff's suffering sales, most of which focused on Plaintiff's management issues and [the Defendants'] generally low prices. Plaintiff's reliance on the fact that an increase in [the Defendants'] sales corresponded to a decrease with Plaintiff's sales only proves a correlation, not a causation.¹²²⁷

Despite the skepticism reflected in these holdings, some opinions demonstrated that allegations of causation and damage need not be proven at the pleadings stage of the litigation in which they are made.¹²²⁸ The allegations at issue in one case producing such an outcome were advanced by an insurance company whose customers had been targeted by mailings and personal visits from the defendants' representatives.¹²²⁹ Invoking the principle that "[a] precise showing [of damage] is not required, and a diversion of sales, for example, would suffice,"¹²³⁰ the court held that "[the plaintiff] has adequately pleaded that it has suffered significant financial and reputation damages as a result of Defendants'

1226. See *Empire Today, LLC v. Nat'l Floors Direct, Inc.*, 788 F. Supp. 2d 7 (D. Mass. 2011).

1227. *Id.* at 30 (footnotes omitted). The court went on to note of the plaintiff's factual showing that:

Plaintiff may argue that the evidence supported a finding that advertising affected leads and leads affected sales. But, first, Plaintiff has not in fact presented a causal relationship between [the Defendants' advertising] itself and a decrease in Plaintiff's sales. Plaintiff, for instance, has not presented evidence of any consumers who chose to purchase [the Defendants'] products instead of Plaintiff's products because of the [advertising]. Second, there is a paucity of evidence supporting Plaintiff's argument and an abundance of evidence pointing to causes that are not the [advertising]. If there is evidence presenting inconsistent positions on a crucial issue of fact, it is appropriate to agree with the jury, which is best suited to resolve such a dispute. Plaintiff's claim therefore fails on the fifth element.

Id. (internal quotation marks omitted) (footnote omitted).

1228. See, e.g., *TriState HVAC Equip., LLP v. Big Belly Solar, Inc.*, 836 F. Supp. 2d 274, 287 (E.D. Pa. 2011) (denying, in cursory analysis, motion to dismiss grounded in part on alleged failure of amended complaint to establish causation).

1229. See *MMM Healthcare, Inc. v. MCS Health Care Mgmt. Options*, 818 F. Supp. 2d 439 (D.P.R. 2011).

1230. *Id.* at 451 (quoting *Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 318 (1st Cir. 2002)).

acts.”¹²³¹ It elaborated that “it is reasonable to conclude that false information provided to clients, as alleged in the amended complaint, could potentially entail the clients to disenroll from the [plaintiff’s] program, which will be followed also as alleged in the amended complaint, by financial repercussions of loss and revenues.”¹²³²

10. Cybersquatting Claims

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.¹²³³ 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.¹²³⁴

a. In Rem Actions

Perhaps in part because of the ready availability of the Uniform Dispute Resolution Policy in disputes in which the owner of a challenged domain name is located outside the reach of United States courts, reported opinions in in rem actions brought under the ACPA have been in decline and, indeed, the past year produced only one apparent example of such an opinion.¹²³⁵ That order, however, merely dismissed the plaintiffs’ in rem cause of action based on the court’s earlier conclusion that the plaintiffs had successfully demonstrated that the registrant of the domain names in question could be haled into court in the United States under Rule 4(k)(2) of the Federal Rules of Civil Procedure.¹²³⁶

b. In Personam Actions

Where in personam actions based on prior trademark rights are concerned:

1231. *Id.*

1232. *Id.*

1233. *See* 15 U.S.C. § 1125(d) (2012).

1234. *See id.* § 1114(2)(D)(v).

1235. *See* Pandaw Am., Inc. v. Pandaw Cruises India Pvt. Ltd., 842 F. Supp. 2d 1303 (D. Colo. 2012).

1236. *See id.* at 1315.

To succeed on a claim under the ACPA, the trademark holder must establish five elements: (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, the owner's mark; and (4) the defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit.¹²³⁷

The last of these requirements is governed by nine factors found in Section 43(d)(1)(B)(i)¹²³⁸ and is subject to a carve-out found in Section 43(d)(1)(B)(ii), which provides that “[b]ad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.”¹²³⁹

The importance of Section 43(d)(1)(B)(ii)'s carve-out was apparent in the outcome of an appeal to the Eleventh Circuit from a jury finding of nonliability under the ACPA.¹²⁴⁰ The plaintiff advanced two arguments why it was entitled to judgment as a matter of law, the first of which was that the defendants had failed to plead Section 43(d)(1)(B)(ii) as an affirmative defense. The court rejected this contention on the ground that “if a plaintiff receives notice of an affirmative defense by some means other than pleadings, the defendant's failure to comply with Rule 8(c) does not cause the plaintiff any prejudice.”¹²⁴¹ With respect to the “means other than pleadings” in the case before it, the court noted that “[the defendants] raised [their] anticybersquatting statutory defense a month and a half before trial in a motion for summary judgment, and [the plaintiff] has not suggested that it suffered any prejudice in the delay in asserting the defense.”¹²⁴²

The plaintiff's second line of attack on the jury's verdict was that the defendants had conceded that six of Section 43(d)(1)(B)(i)'s nine statutory factors favored a finding of liability, in response to which the Eleventh Circuit held that “[a] court's analysis of whether a defendant had the bad faith intent to profit necessary to a cybersquatting claim is not based on a score card of the statutory

1237. *Weather Underground Inc. v. Navigation Catalyst Sys. Inc.*, 100 U.S.P.Q.2d 1778, 1780 (E.D. Mich. 2011).

1238. 15 U.S.C. § 1125(d)(1)(B)(i)(I)–(IX) (2012).

1239. *Id.* § (d)(1)(B)(ii).

1240. *See Pensacola Motor Sales Inc. v. E. Shore Toyota, LLC*, 684 F.3d 1211 (11th Cir. 2012).

1241. *Id.* at 1222 (quoting *Grant v. Preferred Research, Inc.*, 885 F.2d 795, 797 (11th Cir. 1989) (citation omitted) (internal quotation marks omitted)).

1242. *Id.*

factors.”¹²⁴³ Because the court was unwilling to “read . . . any . . . decision that has been cited to us as holding that there is a statutory factors tipping point at which the safe harbor defense tumbles out of the case,”¹²⁴⁴ it held that conflicting evidence on issue of the defendants’ intent properly had been submitted to the jury.¹²⁴⁵

The significance of a defendant’s bad-faith intent to profit also was apparent in one district court’s disposition of a claim of contributory cybersquatting.¹²⁴⁶ The domain name registrant at the heart of the case was not named as a defendant; rather, the action was against the domain name registrar through which the registrant had acquired its domain names and which had facilitated the redirection to websites with pornographic content of online traffic allegedly intended for the plaintiff’s site. In granting the defendant’s motion for summary judgment, the court was unimpressed with the plaintiff’s reliance on the off-color nature of the material on the third-party registrant’s website:

[The plaintiff’s] evidence is inadequate to establish cybersquatting by the non-party registrant. In particular, there is no evidence that can establish the registrant’s “bad faith intent to profit” from [the plaintiff’s] mark. Arguably, the fact that the registrant arranged to have Internet traffic directed from the Disputed Domains to a pornographic website is sufficient to show some variety of bad faith. However, the record is silent as to the intent of the registrant—that is, there is absolutely no evidence of bad faith *intent to profit* from [the plaintiff’s] mark.

1243. *Id.* at 1223 (alteration in original) (quoting *S. Grouts & Mortars, Inc. v. 3M Co.*, 575 F.3d 1235, 1249 (11th Cir. 2009)).

1244. *Id.*

1245. *See id.*

The defendants were the operators of a Hyundai automobile dealership. On the advice of a Hyundai marketing consultant, they had registered a large number of domains, some of which either incorporated or referred to the plaintiff’s Toyota dealership, and many of which were associated with active “microsites” that encouraged consumers to contact the defendants, instead of the plaintiff. Reviewing the record evidence, the court noted that:

In addition to the absence of any evidence that [the defendants] attempted to sell the improper microsites or use them to extort money from [the plaintiff], there is evidence that [the defendants] relied on the advice of . . . Hyundai’s internet marketing expert; that [the defendants] promptly discontinued the microsites as soon as [they] received notice that they violated the anticybersquatting act; and that [they] then surrendered the infringing domain names [back to their registrar]. This is not to say that we would have decided the good faith versus bad faith issue the same way that the jury did, only that the evidence created a genuine issue of material fact for the jury to resolve.

Id.

1246. *See Petroliam Nasional Berhad v. GoDaddy.com Inc.*, 101 U.S.P.Q.2d 1507 (N.D. Cal. 2012).

It is not enough to say that one can “infer” a bad faith intent to profit, even were such an inference sufficient to establish that element of the claim. One could just as easily infer a bad faith intent to create mischief or a bad faith intent to annoy [the plaintiff].¹²⁴⁷

In light of the plaintiff’s failure to establish a dispute of fact as to the third-party registrant’s direct cybersquatting, its claim of contributory cybersquatting fell by the wayside.¹²⁴⁸

A disgruntled ex-medical student who criticized his former school using a website accessible at a domain name incorporating the school’s initials similarly escaped liability as a matter of law after the school failed to demonstrate the existence of a factual dispute as to his alleged bad-faith intent to profit from the domain name’s registration.¹²⁴⁹ The court’s analysis did not begin in promising fashion for the school but instead recited that “registering a . . . domain name identical to or confusingly similar to [a] plaintiff’s for the sole purpose of ‘cyber-gripping’ is not the type of activity made illegal by the ACPA.”¹²⁵⁰ The court went on to enter summary judgment in the former student’s favor with the explanation that:

In the present matter, [the former student], according to [the school], is a disgruntled former medical student seeking revenge for his discharge from [the school’s] medical program. There is no evidence that he is seeking to profit from his use of the [disputed domain name], specifically that he ever attempted to sell the domain name to [the school] or anyone else or that his website advertises or provides links to any goods or services. Instead, the evidence indicates that [the former student] created the website exclusively as a means of expressing his anger and dissatisfaction with [the school] and its medical program. Therefore, there is no evidence supporting a finding that [the former student’s] conduct violates the ACPA.¹²⁵¹

If the requirement of a bad-faith intent to profit therefore resulted in defense victories in some cases, it blocked the grant of plaintiffs’ motions for summary judgment in others. For example, a factual dispute over the required bad-faith intent to profit led to the denial of summary judgment to a plaintiff pursuing “typosquatters” that had registered “288 typographical variations

1247. *Id.* at 1517.

1248. *See id.*

1249. *See* Am. Univ. of Antigua Coll. of Med. v. Woodward, 837 F. Supp. 2d 686 (E.D. Mich. 2011).

1250. *Id.* at 694.

1251. *Id.*

and word swaps” of various marks owned by the plaintiff.¹²⁵² Apparently seeking to avoid the issue, the plaintiff argued as an initial matter that it need only establish the defendants’ willful blindness, but the court disagreed on the grounds that that argument “has no support in case law; no court has applied a willful blindness standard to a cybersquatting case. Moreover, the factors included in the statute undermine Plaintiff’s position that willful blindness is all it must show.”¹²⁵³ The court’s subsequent application of those factors identified conflicting evidence in the record: Although the defendants had no intellectual property-related rights corresponding to the domain names, although they had acquired “multiple domain names which may be duplicative of the marks of [third parties],” and although websites associated with the disputed domain names “have an inquiry option that [the defendants] use to solicit the sale of their [domain names],” the court found that “[t]here is no evidence presented that Defendants offered to transfer or sell the disputed [domain names] to Plaintiffs or its competitors.”¹²⁵⁴ These reasons rendered summary judgment inappropriate,¹²⁵⁵ as did the failure of the plaintiff’s moving papers to compare each domain name in dispute to the corresponding mark in which the plaintiff claimed rights.¹²⁵⁶

Of course, as the outcome of one appeal to the Ninth Circuit demonstrated, the factual nature of the bad-faith-intent inquiry can work in favor of plaintiffs, as well as defendants. Having learned that the lead plaintiff, an entity named Rearden LLC, intended to oppose a series of applications it had filed, the lead defendant, Rearden Commerce, Inc., registered several Rearden-based domain names, including *reardenllc.com* and *reardenllc.net*.¹²⁵⁷ The defendant candidly admitted that it had never used REARDEN LLC as a mark, and, additionally, that it had registered the domains in question to protect its own mark.

1252. See *Weather Underground Inc. v. Navigation Catalyst Sys. Inc.*, 100 U.S.P.Q.2d 1778, 1780 (E.D. Mich. 2011).

1253. *Id.* at 1781.

1254. *Id.* at 1782.

1255. See *id.*

1256. See *id.* As to this latter issue, the court held that:

Plaintiff asks the Court to defer examination of the specific variations to the context of an assessment of statutory damages. According to Plaintiff, at that time, the Court could review on a domain by domain basis. The Court declines Plaintiff’s invitation. Defendants are correct that the issue of confusing similarity is an element of the claim. Therefore, the Court must rule on each of the challenged domain names before entering a judgment of liability. Only after such a ruling do damages become relevant. Accordingly, Plaintiff has not met its burden to show it is entitled to judgment on its cybersquatting claims.

Id. at 1780 (citation omitted).

1257. See *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190 (9th Cir. 2012).

The district court saw nothing amiss about this conduct, and it entered summary judgment in the defendant's favor. The Ninth Circuit disagreed, and it vacated that disposition on the ground that a reasonable jury could find that the defendant had acted with the required bad faith. The defendant's deactivation of the domains in question and its subsequent representation to the district court of its willingness to transfer them to the plaintiff did not mandate a contrary result.¹²⁵⁸

Likewise, another defense motion for summary judgment foundered when the court found "ample support" in the record for the counterclaim plaintiffs' allegations of a bad-faith intent to profit by the counterclaim defendant.¹²⁵⁹ Having learned of the counterclaim plaintiffs' intent-to-use application to register the FANCAST mark, the principal of the counterclaim defendant "registered dozens of websites [accessible at domain names] containing the word 'fancast';¹²⁶⁰ moreover, the court found, "[t]hese websites differ from the 'official' fancast.com only in their extensions."¹²⁶¹ These considerations were more than enough for the court to find that a factual dispute existed with respect to the counterclaim defendant's intent: "[The counterclaim defendant's principal's] timing and unwillingness to categorically deny knowledge of [the counterclaim plaintiffs'] plans heavily influenced [the counterclaim defendant's] decision to purchase the 'fancast' domains is itself highly suggestive of intent."¹²⁶²

As always, of course, some cybersquatting claims succeeded on the merits.¹²⁶³ Perhaps the most outstanding example of a finding of liability came in a case in which the lead defendant and owner of the *gopets.com* domain name had prevailed in an earlier Uniform Dispute Resolution Policy arbitration proceeding brought by the plaintiff owner of the GOPETS mark for the retail sale of pet supplies.¹²⁶⁴ Following this initial victory, which was based in significant part on the lead defendant's registration of the domain before the plaintiff was founded, the lead defendant transferred the domain to a corporation, which reregistered that domain name in its name; the defendants then registered other domain names similar to the original one (as well as to the plaintiff's mark), and eventually launched websites accessible at those domain names

1258. *See id.* at 1220-21.

1259. *See Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380 (D.N.J. 2011).

1260. *Id.* at 428.

1261. *Id.*

1262. *Id.* at 430.

1263. *See Hanley-Wood LLC v. Hanley Wood LLC*, 783 F. Supp. 2d 147, 152-53 (D.D.C. 2011) (granting default judgment under ACPA).

1264. *See GoPets Ltd. v. Hise*, 657 F.3d 1024 (9th Cir. 2011).

with pet-related content. Although holding that the reregistration of the original domain was not actionable under the ACPA,¹²⁶⁵ the Ninth Circuit was not as favorably disposed toward the defendants where the other, newly registered domains were concerned. Because the registration of those domain names was “clearly” intended “to achieve commercial gain by confusing consumers and diverting them from the website they intended to access,” the district court had not erred in entering summary judgment in the plaintiff’s favor.¹²⁶⁶

A train wreck of a business model similarly resulted in summary judgment of liability under the ACPA in a case in which the plaintiffs were a city and its public financing authority.¹²⁶⁷ While planning a public golf course, the city adopted “The Crossings at Carlsbad” as the name of the project at an open meeting of its city council, and the new name was subsequently the subject of press releases and third-party publicity. Prior to the announcement, the city secured several domain names incorporating the name, and it eventually filed a number of intent-to-use applications to register THE CROSSINGS AT CARLSBAD and TCAC for a variety of goods and services. Those registrations

1265. On this issue, the court held that:

Looking at [the] ACPA in light of traditional property law . . . , we conclude that Congress meant “registration” to refer only to the initial registration. It is undisputed that [the lead defendant] could have retained all of his rights to gopets.com indefinitely if he had maintained the registration of the domain name in his own name. We see no basis in [the] ACPA to conclude that a right that belongs to an initial registrant of a currently registered domain name is lost when that name is transferred to another owner. The general rule is that a property owner may sell all of the rights he holds in property. [The plaintiffs] proposed rule [treating the reregistration of a domain as a new registration] would make rights to many domain names effectively inalienable, whether the alienation is by gift, inheritance, sale, or other form of transfer. Nothing in the text or structure of the statute indicates that Congress intended that rights in domain names should be inalienable.

Id. at 1031-32.

1266. *Id.* at 1033 (internal quotation marks omitted).

In particular, the court held with respect to the defendants’ bad-faith intent to profit from the newly registered domains that:

The [defendants] do not qualify for the safe harbor in their registration of the Additional Domains. The [defendants] argue that their victory in the WIPO arbitration led them to believe that their registration of the domain name gopets.com was proper. But the WIPO decision gave the [defendants] no reason to believe they had the right to register *additional* domain names that were identical or confusingly similar to GoPets. The WIPO arbitrator made clear that the [defendants] prevailed only because the service mark GoPets had not been registered when [the lead defendant] registered the domain name gopets.com. The Additional Domains were registered well after GoPets was registered as a service mark.

Id.

1267. See *City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087 (S.D. Cal. 2012).

had matured into registrations by the time a bench trial on the plaintiffs' claims was held.¹²⁶⁸

After the city registered its domain names but before it filed its applications, the defendant registered “a number of domain names which incorporate and/or are similar to the marks ‘THE CROSSINGS AT CARLSBAD’ and/or ‘TCAC.’”¹²⁶⁹ The defendant also formed corporations with names based on those marks, purchased advertising featuring them, and, rather inexplicably, “appeared at the City’s golf course and distributed business cards to golf course patrons bearing the mark ‘THE CROSSINGS AT CARLSBAD’ and the [golf course’s] Logo, and identifying himself as the President and CEO [of] ‘The Crossings at Carlsbad, California Corporation.’”¹²⁷⁰ Finally, he placed notices on websites accessible at his domain names such as “THE CROSSINGS AT CARLSBAD OWNED BY [THE DEFENDANT] IS A FEDERALLY REGISTERED TRADEMARK OF THE CROSSINGS AT CARLSBAD GOLF COURSE CORPORATION,” even after a summary judgment order awarding priority of rights to the plaintiffs.¹²⁷¹

With considerable understatement, the court noted that “[a]lthough [the defendant] has not admitted his bad faith and intent to profit, the stipulated and undisputed facts lead inexorably to that conclusion.”¹²⁷² The defendant’s full awareness of the plaintiffs’ plan for their marks—he had been at the city council meeting at which the city had announced the new name of its golf course—played a role in the court’s finding of a bad-faith intent to profit, as did his failure to prove “reasonable grounds for believing that his use of the City’s Marks in the 20 domain names he registered was fair use or otherwise lawful.”¹²⁷³ And, independent of the defendant’s conduct toward the particular plaintiffs bringing the action against him, the defendant had registered hundreds of other domain names, many of which were based on the names and marks of third parties; concerning these, the court found that “[the defendant] was not conducting any business per se using these domain names, but rather was warehousing them, and had an established pattern of warehousing domain names consisting of various identical [marks] or similar

1268. *See id.* at 1093-97.

1269. *Id.* at 1097. The actual number of the defendant’s domain name registrations was twenty. *See id.* at 1105.

1270. *Id.* at 1099.

1271. *Quoted in id.*

1272. *Id.* at 1106.

1273. *Id.* at 1107.

combinations of the marks of others.”¹²⁷⁴ Indeed, the court was so unsympathetic to the defendant that it found that the plaintiffs’ marks were distinctive and protectable even before they were used.¹²⁷⁵

A final notable (and successful) in personam claim was brought to protect a personal name under 15 U.S.C. § 8131, which creates a cause of action against “[a]ny person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person’s consent, with the specific intent to profit from such name by selling the domain name for financial gain.”¹²⁷⁶ Whether in a calculated attempt to escape liability or for other reasons known only to her, the defendant had registered two domain names in the name of her minor daughter.¹²⁷⁷ Unfortunately for the defendant, the domain names corresponded to the personal name of a prominent real estate developer and philanthropist, and content putatively posted by the daughter at websites accessible at the domain names referred to “unscrupulous money managers or lawyers that will lie, cheat and steal [your money] or invest it in Mortgage Backed Securities.”¹²⁷⁸ Even more damning, the court noted, “[t]he page concludes, in bold letters: ‘I will am [sic] also selling this domain name . . . for \$1 Million (ONE MILLION DOLLARS) each.’”¹²⁷⁹ The site did, however, also feature two pieces of art, one by the defendant and one by her daughter, both of which would be sold to generate funds for “organizations that aid in the protections of free speech.”¹²⁸⁰

In granting the plaintiff’s motion for a preliminary injunction, the court concluded as an initial matter that “the defendant has put forth no serious argument—and the Court cannot divine any from the record—which would defeat the conclusion that the defendant, by registering the Domain Names without the plaintiff’s consent, specifically intended to profit by the sale of the Web sites”¹²⁸¹ The court then addressed the defendant’s argument that she qualified for the safe harbor recognized by 15

1274. *Id.* at 1106.

1275. *See id.* at 1105 (“The Courts finds that the City’s Marks, . . . which were used in commerce in March or April of 2007 in connection with the City’s golf course, are distinctive and that the Marks were distinctive at the time [the defendant] registered [his] domain names in November and December 2006.”).

1276. 15 U.S.C. § 8131 (2012).

1277. *See Bogoni v. Gomez*, 847 F. Supp. 2d 519 (S.D.N.Y. 2012).

1278. *Quoted in id.* at 521.

1279. *Id.* at 522 (second alteration in original).

1280. *Quoted in id.* at 521.

1281. *Id.* at 525.

U.S.C. § 8131(1)(B)¹²⁸² because the work of art she had contributed to the websites associated with the disputed domain names was a depiction of an airplane with the plaintiff's name written on it. The court was no more sympathetic to this claim than it was to any others advanced by the defendant:

The defendant contends that her use of the Domain Names is intended to sell the artwork she and her daughter made, but only more than one month after the Complaint in this action was filed did the defendant post to either Web site a photograph of the artwork for sale. In addition, the offer to sell the Domain Names . . . for \$1,000,000 each appears in bold type, while the description of the artwork precedes it in normal font. Related, the defendant has not offered any explanation for what, precisely, the plaintiff's name has to do with the artwork on which it appears and, in any event, the plaintiff's name only appears on one of the artworks for sale. Furthermore, the Web site purports to be written by the defendant's daughter, who is three years old, while it is clearly the work of the defendant, who does not contend otherwise. Finally, at the hearing before the Court, counsel for the plaintiff represented that the plaintiff himself appears in a photograph on [one of the websites]—a charge not denied by the defendant—demonstrating the specific and targeted nature of the defendant's actions. Indeed, while evidence of good faith is entirely absent from the record here, evidence of bad faith abounds.¹²⁸³

11. Recovery for Fraudulent Procurement of Registrations

Section 38 of the Act provides a civil cause of action against “[a]ny person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or

1282. That section provides that:

A person who in good faith registers a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, shall not be liable under this paragraph if such name is used in, affiliated with, or related to a work of authorship protected under Title 17, including a work made for hire as defined in section 101 of Title 17, and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such registration is not prohibited by a contract between the registrant and the named person. The exception under this subparagraph shall apply only to a civil action brought under paragraph (1) and shall in no manner limit the protections afforded under the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) or other provision of Federal or State law.

15 U.S.C. § 8131(1)(B) (2012).

1283. *Bogoni*, 847 F. Supp. 2d at 526.

representation, oral or in writing, or by any false means.”¹²⁸⁴ One court held that the relevant test for liability under Section 38 required proof by clear and convincing evidence of:

1. A false representation regarding a material fact.
2. The person making the representation knew or should have known that the representation was false (“scienter”).
3. An intention to induce the listener to act or refrain from acting in reliance on the misrepresentation.
4. Reasonable reliance on the misrepresentation.
5. Damage proximately resulting from such reliance.¹²⁸⁵

One basis of the Section 38 claim before the court was that the counterclaim defendant had procured its registration through a false representation in his circa-1988 application of use in commerce, when, in fact, the uses to which the mark had been were “mere preparation,” “demonstrations,” “testing,” or “marketing presentations.”¹²⁸⁶ In granting the counterclaim defendant’s motion for summary judgment, the court identified two reasons for finding this theory wanting as a matter of law. The first was that “[u]nder [the] law at the time of the [counterclaim defendant’s] trademark application, the registrant of a trademark need only have made a single ‘token use’ of the mark in commerce.”¹²⁸⁷ The second was that:

It is undisputed that [the counterclaim defendant’s principal] engaged in significant commercial and promotional activity involving the [registered] mark over the course of many years. These activities occurred both before and after [he] delivered his sworn statements to the PTO.... Even if [the counterclaim plaintiff] could show that none of the activities conducted by [the counterclaim defendant’s principal] technically constituted use of the mark in interstate commerce, either because they were mere demonstrations, or involved sales of products other than broadcast services or communication, it has offered no evidence from which a jury may conclude that [the counterclaim defendant’s principal] “knew or should have known” that his statements to the PTO were incorrect. A lay businessman who spends years of his life selling branded radios, performing branded broadcasts, and vigorously promoting additional businesses under a given

1284. 15 U.S.C. § 1120 (2012).

1285. *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 424 (D.N.J. 2011) (quoting *Patsy’s Italian Rest., Inc. v. Banas*, 658 F.3d 254, 270–71 (2d Cir. 2011)).

1286. *Quoted in id.* at 425.

1287. *Id.*

mark would have no obvious reason to suspect that his significant efforts do not constitute “use in commerce.”¹²⁸⁸

The court then disposed of the second basis of the counterclaim plaintiffs’ Section 38 cause of action, which was that the counterclaim defendant had filed a Section 8 affidavit of continuing use¹²⁸⁹ supported by blank letterhead and envelopes. According to the court’s summary of the counterclaim plaintiffs’ argument, the counterclaim defendant’s principal “had been told that letterhead was insufficient in previous communications with the PTO, and . . . that any subsequent submission of blank letterhead is sufficient for a jury to ‘permissibly infer’ that [the counterclaim defendant’s] intent was fraudulent.”¹²⁹⁰ Once again, summary judgment was appropriate:

This evidence proves nothing. First, even if the submission was “knowingly . . . insufficient” evidence of use, that alone does not demonstrate knowledge that the underlying statements concerning use were false. A person may know that he or she submitted insufficient proof of a proposition without knowing that the proposition is actually false. Second, [the counterclaim plaintiffs’] claim is belied by the fact that the blank letterhead and envelopes were accepted by the PTO as proof of continuous use. [The counterclaim defendants’] real complaint is not with [the] submission to the PTO, but with the PTO’s decision to accept the—undeniably flimsy—evidence in approving the incontestability application. There is no suggestion that the letterhead was deliberately misleading or that [the counterclaim defendant’s principal] was not genuinely engaged in efforts to market services using the [registered] mark, albeit with limited success. While [the] submission of an inadequate exhibit to the PTO might have been careless or put its application in jeopardy, it cannot, without more, serve as “clear and convincing evidence” of scienter.¹²⁹¹

Although Section 38 is the mechanism most commonly invoked by parties seeking to recover for fraudulent procurement or maintenance, it is not the only one, and, indeed, one federal district court had the opportunity to address such an attempted recovery under California state law.¹²⁹² Invoking California’s

1288. *Id.* at 425-26.

1289. *See* 15 U.S.C. § 1058 (2012).

1290. *Fancaster*, 832 F. Supp. 2d at 426.

1291. *Id.*

1292. *See Zero Motorcycles, Inc. v. Pirelli Tyre S.p.A.*, 802 F. Supp. 2d 1078 (N.D. Cal. 2011).

Unfair Competition Law,¹²⁹³ the plaintiff sought leave to amend its complaint to assert a cause of action grounded in the defendants' maintenance of a registration covering their ZERO mark for motorcycle tires with a specimen that allegedly displayed the P ZERO mark.¹²⁹⁴ The court refused to allow the proposed amendment on the ground that it would be futile:

[T]he fact that Defendants submitted the allegedly false statement with the exemplar undermines any assertion of a willful intent to deceive the PTO, since the PTO obviously could assess the accuracy of Defendants' representation by comparing it to the exemplar. Stated another way, if Defendants' intent were to deceive the PTO, it would be illogical for them to have attached an exemplar which ostensibly contradicts their representation.¹²⁹⁵

12. State and Common-Law Claims

a. Preemption of State Unfair Competition Causes of Action

With one limited exception,¹²⁹⁶ the Lanham Act does not expressly preempt state activity in the area of unfair competition. Arguments that the Act nevertheless has preemptive effect are rare, but one came in a challenge to North Carolina's ethanol blending statute,¹²⁹⁷ which authorizes retailers to blend the gasoline they sell with ethanol.¹²⁹⁸ According to the plaintiffs, which were trade associations consisting of petroleum suppliers, the statute impermissibly restricted their members' ability to control the quality of products bearing the members' marks. On the parties' cross-motions for summary judgment, the court accepted the legal premise of the plaintiffs' argument, which was that:

[A] federal trademark holder has the right to dictate and oversee quality control measures for the production and sale of its products and . . . a state law that will be preempted if it interferes with a trademark owner's ability to engage in that quality control or creates a likelihood of confusion.¹²⁹⁹

1293. Cal. Bus. & Prof. Code Ann. § 17200 (West 1980 & Supp. 2013).

1294. *See Zero Motorcycles*, 802 F. Supp. 2d at 1088.

1295. *Id.*

1296. The exception is Section 43(c)(6) of the Act, 15 U.S.C.A. § 1125(c)(6) (West Supp. 2013), which provides that ownership of a federal registration is a defense against allegations of likely or actual dilution brought under state law.

1297. N.C. Gen. Stat. § 75-90(b) (2008).

1298. *See Am. Petroleum Inst. v. Cooper*, 835 F. Supp. 2d 63 (E.D.N.C. 2011).

1299. *Id.* at 79.

It rejected the plaintiffs' allegations that the statute had such effects, however, concluding to the contrary that "plaintiffs' members may continue to engage in quality control over the blending of their trademarked gasoline . . ." ¹³⁰⁰ Specifically:

They may set forth specific guidelines for blending and require random testing of the resulting blended gasoline, though they are not necessarily limited to these measures. For sales of gasoline outside a franchise agreement or to buyers unwilling to submit to or diligently follow their quality control procedures, suppliers may forbid use of the trademarked name as to the subsequent sale of the blended gasoline and bring suit under the Lanham Act where such unauthorized use occurs. Because they maintain the ability to engage in quality control and bring suit to enforce their trademarks, plaintiffs cannot contend that consumer confusion is likely to occur. ¹³⁰¹

Moreover, the quality control measures available to the plaintiffs' members precluded the plaintiffs from prevailing on their fall-back argument, which was that their members were not being fully compensated for the gasoline sold under their marks. ¹³⁰²

Nevertheless, this does not mean that other provisions of federal law cannot do so, and, indeed, one court concluded that the New York dilution statute ¹³⁰³ could not be used to protect a group of product configurations. ¹³⁰⁴ Invoking the Supreme Court's decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, ¹³⁰⁵ the court observed that "[p]ut over-simplistically, the underlying concepts in *Bonito Boats* are that potentially patentable designs must either be protected by federal patents, or open to the public to use, and that the federal patent system is the exclusive source for patent-like protection of patentable designs . . ." ¹³⁰⁶ From this premise, and based on the absence of any requirement of likely confusion for a finding of liability under the state statute, it concluded that "[a]ffording potentially patentable designs patent-like protection under state laws would impair the uniformity and exclusivity of federal patent laws. Thus, plaintiffs cannot invoke [the state statute] to enjoin defendant from making, using, or selling products that dilute plaintiffs' potentially patentable

1300. *Id.* at 80.

1301. *Id.* (footnote omitted).

1302. *See id.* at 82.

1303. N.Y. Gen. Bus. L. § 360-1 (McKinney 1996 & Supp. 2008).

1304. *See Luv N' Care, Ltd. v. Regent Baby Prods. Corp.*, 841 F. Supp. 2d 753 (S.D.N.Y. 2012).

1305. 489 U.S. 141 (1989).

1306. *Luv N' Care*, 841 F. Supp. 2d at 760.

designs, whether actually patented or not.”¹³⁰⁷ It therefore granted the defendant’s motion to dismiss for failure to state a claim.¹³⁰⁸

1307. *Id.* at 761.

1308. *See id.* at 762.

Whether the court’s broad reading of *Bonito Boats* is warranted is open to question. At the outset, *Bonito Boats* itself rejects the proposition that federal law preempts all state law restrictions on the copying of patentable subject matter:

The pre-emptive sweep of our decisions in *Sears*, *Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco [Corp. v. Day-Brite Lighting, Inc.]*, 376 U.S. 234 (1964) has been the subject of heated . . . debate. Read at their highest level of generality, the two decisions could be taken to stand for the proposition that the States are completely disabled from offering any form of protection to articles or processes which fall within the broad scope of patentable subject matter. . . .

That the extrapolation of such a broad pre-emptive principle from *Sears* is inappropriate is clear from the balance struck in *Sears* itself. . . . [W]hile *Sears* speaks in absolutist terms, its conclusion that the States may place some conditions on the use of trade dress indicates an implicit recognition that all state regulation of potentially patentable but unpatented subject matter is not *ipso facto* pre-empted by the federal patent laws.

Bonito Boats, 489 U.S. at 153-54 (citations omitted) (internal quotation marks omitted).

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 (Fed. Cir. 1998); *Kohler Co. v. Moen Inc.*, 12 F.3d 632 (7th Cir. 1993). Rather, as the Federal Circuit has explained in the context of an expired 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. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1362-64 (Fed. Cir. 1999).

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.

An application of the New York statute to enjoin the imitation of a product configuration arguably would “promote goals outside the contemplation of the federal patent scheme,” rather than creating “patent-like protection.” To qualify for design patent protection, a product configuration must be nonfunctional and must meet the requirements of novelty, ornamentality, and nonobviousness. *See* 35 U.S.C. § 171 (2012); *Avia Grp. Int’l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1562 (Fed. Cir. 1988). Assuming that the underlying design meets these criteria, whether a design patent has been infringed depends on whether “in the eye of an ordinary observer, giving such attention as a purchaser usually gives, [the] two designs are substantially the same [and] . . . the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other.” *Gorham Mfg. Co. v. White*, 81 U.S. 511, 528 (1871).

Although sharing the requirement of nonfunctionality, the test for protectability and dilution of a trade dress is otherwise wholly distinguishable. The owner of a trade dress must use it in commerce *as* a trade dress, a prerequisite with no corresponding requirement under design patent law. *See generally* *Haymarket Sports, Inc. v. Turian*, 581 F.2d 257, 262 (C.C.P.A. 1978) (noting of the use requirement that “[t]he owner of a trade-mark may not,

Plaintiffs that augment federal Lanham Act claims with related state-law unfair competition causes of action run the risk of holdings that the latter are preempted by Section 301 of the federal Copyright Act, which proscribes state-law claims purporting to protect “legal or equitable rights that are the equivalent to any of the exclusive rights within the general scope of copyright.”¹³⁰⁹ The preemption inquiry under Section 301 is a

like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly”). That party must also demonstrate that its design is a distinctive indicator of the origin of the associated product, a requirement that is similarly absent from design patent law. *See* *Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 692-93 (N.D. Ga. 1977) (rejecting alleged conflict between design patent and trade dress protection based on distinctiveness of plaintiff’s design). Finally, it must demonstrate that this distinctiveness is likely to be diluted by a junior use, a standard that cannot be considered coextensive with the *Gorham* test for design patent infringement. *Cf.* *Eliya, Inc. v. Kohl’s Dept Stores*, 82 U.S.P.Q.2d 1088, 1095 (S.D.N.Y. 2006) (rejecting copyright-based preemption claim in state-law dilution action to protect shoe design on ground that “[the] plaintiff must establish a likelihood of dilution, an element which is not essential to a federal copyright claim”).

Finally, 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 preemption is particularly weak where Congress has indicated its awareness of the operation of state law in a field of federal interest, and has nonetheless decided to “stand by both concepts and to tolerate whatever tension there [is] between them.”

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, it has expressly ratified that protection by recognizing that trade dress is covered by the federal cause of action found in Section 43(c) of the Lanham Act. *See* 15 U.S.C. § 1125(c)(4) (2012). 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. 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* *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 & 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.”).

¹³⁰⁹ 17 U.S.C. § 301 (2012).

two-fold one: A state cause of action will be preempted if its subject matter falls within the subject matter of copyright and, additionally, if the rights asserted under it are equivalent to those articulated in Section 106 of the Copyright Act,¹³¹⁰ which defines the rights of copyright owners.¹³¹¹ The second prong of this test is typically framed in terms of whether the state-law cause of action at issue requires one or more showings by the plaintiff beyond mere copying by the defendant.¹³¹²

In response to the alleged reverse passing off of copyrighted (or formerly copyrighted) creative works in particular, holdings of preemption came both on motions for summary judgment¹³¹³ and those for dismissal at the pleadings stage.¹³¹⁴ A representative example of this outcome came in an action brought by the owner of copyrights covering two poems, which the plaintiff alleged the defendants had incorporated into baptism- and wedding-related gift items.¹³¹⁵ Because there was no dispute that the plaintiff's poems fell within the scope of potential copyright protection, the court focused on the second inquiry of the relevant analysis, namely, whether the Illinois state-law causes of action asserted by the plaintiff were equivalent to its copyright infringement claim under federal law. Although the plaintiff argued in conclusory fashion that the causes of action were "tied more closely to the notion of unfair competition than . . . copyright infringement,"¹³¹⁶ the court found this theory fatally infirm. As it observed in

1310. *Id.* § 106.

1311. *See generally* *Defined Space, Inc. v. Lakeshore E., LLC*, 797 F. Supp. 2d 896, 902 (N.D. Ill. 2011).

1312. *See, e.g.*, *WNET v. Aereo Inc.*, 871 F. Supp. 2d 281, 291 (S.D.N.Y. 2012).

1313. *See, e.g.*, *Kendall Holdings, Ltd. v. Eden Cryogenics LLC*, 846 F. Supp. 2d 805, 820, 823 (S.D. Ohio 2012) (holding claims under common law of unfair competition and Ohio Deceptive Trade Practices Act, Ohio Rev. Code Ann. § 4165.02 and grounded in alleged copying of catalog preempted).

1314. *See, e.g.*, *WNET*, 871 F. Supp. 2d at 291 (reaching holding of preemption on ground that "Plaintiffs' claim for unfair competition [under New York law] seeks redress for [Defendant's] unauthorized appropriation of Plaintiffs' content through private performances of that [content]-a claim that is fundamentally parallel to a copyright claim"); *Levine v. Landy*, 832 F. Supp. 2d 176, 190, 191 (N.D.N.Y. 2011) (dismissing New York common-law unfair competition cause of action grounded in allegation that "after unlawfully copying, distributing, and/or publishing the [plaintiffs] copyrighted photographs, defendants stamped their own name or copyright on the works, rather than plaintiffs"); *CustomGuide v. CareerBuilder, LLC*, 813 F. Supp. 2d 990, 998-1002 (N.D. Ill. 2011) (dismissing various Illinois statutory and common-law causes of action arising from defendant's alleged misappropriation of online training modules); *LaChapelle v. Fenty*, 812 F. Supp. 2d 434, 449 (S.D.N.Y. 2011) (dismissing New York common-law passing off claim in light of failure by plaintiff to allege "extra element' of misrepresentation as to origin").

1315. *See* *Personalized Keepsakes Inc. v. Personalizationmall.com Inc.*, 101 U.S.P.Q.2d 1855 (N.D. Ill. 2012)

1316. *Quoted in id.* at 1863.

granting the defendants' motion to dismiss, "every copyright claim inherently involves the notions of unfair competition and consumer confusion and deception, because it is fundamentally not fair competition and confusing to customers to rip off another's protected work."¹³¹⁷

Illinois law also was trumped by Section 301 in a case originating from the defendants' use without attribution of photographs taken by the plaintiffs.¹³¹⁸ Addressing the defendants' argument that the plaintiffs' consumer fraud and deceptive trade practices claims were nothing more than restatements of the plaintiffs' cause of action for copyright infringement, the court held first that "it [is] uncontroversial that the photographs at issue in this case fall within the subject matter of the Copyright Act."¹³¹⁹ It then held that "the rights asserted under Illinois state law in this case are not qualitatively different from the rights conferred under the Copyright Act,"¹³²⁰ in substantial part because "[t]he counts incorporate by reference all prior factual allegations and assert that these facts constitute violations of the respective state laws."¹³²¹

Nevertheless, one opinion demonstrated that the careful pleading of state-law causes of action can result in the denial of a preemption-based motion to dismiss.¹³²² The particular motion at issue was filed by a group of defendants accused of having copied a line of copyrighted furniture. It targeted causes of action brought by the plaintiff under North Carolina state law, including those for unjust enrichment, common-law unfair competition, and deceptive trade practices. Although holding that the unjust enrichment claim was preempted because it was coextensive with one advanced by the plaintiff for copyright infringement,¹³²³ the court reached a different conclusion where the unfair competition and deceptive trade practices causes of action were concerned. Those, the court noted, were supported by an allegation that the defendants had gained access to, and been able to copy, the plaintiff's designs only because they had fraudulently represented to the plaintiff that they would use it as a broker. Because that allegation rendered the claims "qualitatively different" from the plaintiff's copyright claim, a holding of preemption was not

1317. *Id.* at 1863-64.

1318. *See* *Defined Space, Inc. v. Lakeshore E., LLC*, 797 F. Supp. 2d 896 (N.D. Ill. 2011).

1319. *Id.* at 902-03.

1320. *Id.* at 903.

1321. *Id.*

1322. *See* *Pan-Am. Prods. & Holdings, LLC v. R.T.G. Furniture Corp.*, 825 F. Supp. 2d 664 (M.D.N.C. 2011).

1323. *See id.* at 695-96.

warranted: “[T]he alleged false representations here are claimed to have been for the purpose of obtaining . . . plaintiff’s designs without paying . . . the broker’s fee. In such case, ‘the fraud and not the actual copyright violation would be the gravamen of the claim.’”¹³²⁴

b. Right of Publicity

Right-of-publicity law is at heart a creation of state law, and this led to several state law-specific opinions in the area over the past year.¹³²⁵ Perhaps the most interesting, if ultimately inconclusive, of these addressed a cause of action under New Jersey law to Albert Einstein’s post-mortem right of publicity.¹³²⁶ The plaintiff, the Hebrew University of Jerusalem, claimed to be the owner of that right as a result of its receipt of the corpus of a terminated trust established by the physicist prior to his death. On the lead defendant’s motion for summary judgment, the court declined to resolve the factual issue of whether Einstein had or had not intended for the corpus of the trust to sweep in his right of publicity.¹³²⁷ Nevertheless, it proved willing to settle the legal issue of whether Einstein necessarily must have exploited that right during his lifetime for the right to exist in the first place:

[T]here is little to recommend the lifetime exploitation requirement. . . .

. . . .

The right of publicity is an asset, to be sure, but that does not necessarily mean it must be conditioned upon lifetime commercial exploitation of its value. There are sound, even compelling, reasons to allow the heirs of a famous decedent to prevent strangers from exploiting his name, image, reputation and identity, even if the decedent himself did not do so during his lifetime. For example, there have been famous people who, during their lifetimes and afterward, renounced wealth or declined to pursue it, and in part for that reason were revered for their modesty and spirituality. Surely a part of whatever

1324. *Id.* at 700 (quoting *Baldine v. Furniture Comfort Corp.*, 956 F. Supp. 580, 587 (M.D.N.C. 1996)).

1325. *See, e.g.*, *Dutch Jackson IATG, LLC v. Basketball Mktg. Co.*, 846 F. Supp. 2d 1044, 1052 (E.D. Mo. 2012) (holding, in cursory analysis, that absence of allegation that defendants used name of individual plaintiff warranted dismissal of Missouri right-of-publicity cause of action for failure to state claim).

1326. *See Hebrew Univ. of Jerusalem v. Gen. Motors LLC*, 103 U.S.P.Q.2d 1362 (C.D. Cal. 2012).

1327. Einstein’s will did not expressly address the issue, and the court concluded that there was conflicting parole evidence and testimony in the summary judgment record. *See id.* at 1370-74.

happiness and satisfaction they derived from being famous came from the realization that they were setting an example for those closest to them—presumably including their heirs. Such people fairly can be deemed to have “exploited” their fame by developing a persona that showed that what they care most about was “What do I stand for?” How will I be remembered?” Their death should not deprive them of the very attribute that they intended to leave as their legacy.¹³²⁸

A California federal district court proved just as unwilling, albeit on a motion to dismiss, to resolve the claims of a class of potentially millions of Facebook users against that company under the California right-of-publicity statute¹³²⁹ and the common law.¹³³⁰ The gravamen of the plaintiffs’ case was that Facebook’s “Sponsored Stories” feature, which was enabled for all its members by default, made unauthorized uses of their names in apparent endorsements of Facebook’s advertisers. Borrowing language from the plaintiffs’ complaint, the court offered the following summary of their claims, which included both common-law and statutory right-of-publicity causes of action: “Plaintiffs asserted that Sponsored Stories constitute ‘a new form of advertising which drafted millions of [Facebook members] as unpaid and unknowing spokespersons for various products,’ for which they are entitled to compensation under California law.”¹³³¹

Those claims survived an aggressive motion to dismiss by Facebook grounded in several theories. The court rejected the first—that the plaintiffs had triggered a “newsworthiness” exception to liability by “liking” particular places or things via their Facebook accounts—with the observation that Facebook’s uses of the plaintiffs’ names and images were unabashedly commercial in nature, rather than motivated by any desire to report on recent events.¹³³² An alternative attack on the complaint similarly fell short when the court declined to accept, at least at the pleadings stage, Facebook’s argument that its users unambiguously had consented to its challenged practices by clicking through their user agreements.¹³³³ Finally, the court was

1328. *Id.* at 1370.

1329. Cal. Civ. Code § 3344.

1330. *See* Fraley v. Facebook, Inc., 830 F. Supp. 2d 785 (N.D. Cal. 2011).

1331. *Id.* at 792.

1332. *See id.* at 804-05.

1333. *See id.* at 805-06 (“The gravamen of Plaintiffs’ consent argument is that even if the Statement of Rights and Responsibilities can be broadly construed to encompass Sponsored Stories, such ‘consent’ was fraudulently obtained and thus not knowing and willful. . . . [T]he Court determines that whether Facebook’s Statement of Rights and Responsibilities, Privacy Policy, or Help Center pages unambiguously give Defendant the right to use Plaintiffs’ names, images, and likenesses in the form of Sponsored Story advertisements for

unmoved by Facebook's assertion that the plaintiffs were required to plead either preexisting commercial value in their identities or actual economic injury, as the former putative requirement was unsupported by the relevant statutory language and the latter could be presumed satisfied as a result of the unauthorized uses alleged in the plaintiffs' complaint.¹³³⁴

The denial of a defense motion for summary judgment transpired in an application of the right-of-publicity prong of the Restatement (Second) of Unfair Competition's explanation of the right-of-privacy¹³³⁵ by a Kentucky federal district court.¹³³⁶ Two months after terminating the plaintiff as its employee, the lead defendant mailed out a newsletter introduced by a letter allegedly signed by the plaintiff and featuring his telephone number; it also left the plaintiff's name in its company directory and maintained his voice-mail box.¹³³⁷ Notwithstanding these circumstances, the defendants moved the court for summary judgment, arguing that the plaintiff's likeness had no value because he was not a celebrity, that the plaintiff admitted he had not suffered any physical, mental, or financial injury, and that the defendants had not enjoyed any profits as a result of the mailing.¹³³⁸

The court made short work of each of these theories. With respect to the first, it held that "a reasonable jury could find that [the plaintiff's] name and likeness had a commercial value [for the lead defendant]," because "[the plaintiff] was a very successful salesman and top performer for [the lead defendant]";¹³³⁹ moreover, and in any case, "contrary to [the lead defendant's] argument, [the plaintiff] does not have to be a 'celebrity' to state an

Facebook's commercial gain remains a disputed question of fact and is not proper grounds for dismissal at this time.").

1334. *See id.* at 806.

1335. *See* Restatement (Second) of Torts § 652A (1976). According to that iteration of the Restatement:

- (1) One who invades the right of privacy of another is subject to liability for the resulting harm to the interests of the other.
- (2) The right of privacy is invaded by . . .
 - (a) unreasonable intrusion upon the seclusion of another . . . ; or
 - (b) appropriation of the other's name or likeness . . . ; or
 - (c) unreasonable publicity given to the other's private life . . . ; or
 - (d) publicity that unreasonably places the other in a false light before the public.

Id.

1336. *See* Thornton v. W. & S. Fin. Grp. Benelux Plan, 797 F. Supp. 2d 796 (W.D. Ky. 2011).

1337. *See id.* at 813.

1338. *See id.* at 814.

1339. *Id.*

appropriation of name or likeness claim.”¹³⁴⁰ Addressing the defendants’ reliance on the plaintiff’s lack of demonstrated injury, the court then held that “a plaintiff asserting a claim for appropriation of a person’s name or likeness may seek nominal, compensatory, and, if appropriate, punitive damages.”¹³⁴¹ Finally, as to the claimed lack of profit generated by the newsletter, the court concluded that:

[T]he benefit sought to be obtained need not be a pecuniary one. Furthermore, as discussed above, while any monetary benefit that [the lead defendant] received as a result of its alleged wrongful use of [the plaintiff’s] name is an appropriate measure of [the plaintiff’s] actual damages, it is not the only measure of damages.¹³⁴²

Summary judgment of nonliability was therefore inappropriate.¹³⁴³

In contrast, the absence of any pecuniary benefit enjoyed by a group of defendants *did* make a difference in an application of Tennessee law.¹³⁴⁴ The defendants were accused of violating the Tennessee right of publicity statute¹³⁴⁵ after photographs of, and disparaging material concerning, the plaintiff appeared on a website operated by the defendants. On its face, the Tennessee statute required a showing that the challenged use be “for purposes of advertising products, merchandise, goods, or services, or for purposes of . . . purchases of products, merchandise, goods, or services.”¹³⁴⁶ It was this limitation that led the court to dispose of the plaintiff’s motion for a preliminary injunction. In part because “the posts pertaining to Plaintiff . . . constitute two posts out of over 75,000 on the site,”¹³⁴⁷ the court concluded that the plaintiff was not entitled to preliminary injunctive relief:

Plaintiff has not demonstrated a causal connection in the instant matter between Defendants’ use of her name and image and an increase in visitors to the site or advertising revenue. Plaintiff has offered no evidence that Defendants marketed their site by emphasizing Plaintiff’s appearance on the site, used portions of the posts in teasers on other sites to draw more visitors, prominently displayed the posts regarding Plaintiff on the site, advertised Plaintiff’s appearance in

1340. *Id.* at 815.

1341. *Id.*

1342. *Id.*

1343. *See id.* at 816.

1344. *See Gauck v. Karamian*, 805 F. Supp. 2d 495 (W.D. Tenn. 2011).

1345. Tenn. Code Ann. § 47-25-1101 *et seq.* (West 2010).

1346. *Id.* § 47-25-1105(a).

1347. *Gauck*, 805 F. Supp. 2d at 503.

connection with the sale of any of Defendants' products, or charged higher premiums to advertisers for advertising space on the pages pertaining to Plaintiff.

A Wisconsin trial court proved similarly unsympathetic to a right of publicity claim advanced under the auspices of that state's right of privacy statute¹³⁴⁸ by two attorneys against a pair of competitors who had "purchased" the plaintiffs' names as keywords for paid advertising that directed consumers to the defendants' law firm.¹³⁴⁹ Weighing the parties' cross-motions for summary judgment, the court identified a number of showings necessary to a finding of liability, namely, the use for advertising purposes or for purposes of trade of a living person's name without that person's written consent; the court also noted that the accused conduct must have been unreasonable.¹³⁵⁰ The court concluded that the defendants had used the plaintiffs' names in advertising and that that use had been nonconsensual. It also held, however, that the following undisputed facts demonstrated that the defendants' conduct had been reasonable:

1. Plaintiffs are both principles of a multi-attorney law firm that engages in advertising and public relations to promote the firm as a whole. The name of each plaintiff is included in the firm name.
2. A competitor purchases a sponsored link for the top position above generic results for searches on the name of either plaintiff in Internet search engines, which places defendants' promotional text in a location above all other links.
3. The sponsored link looks similar to generic results (with slight shading and/or ambiguous language to suggest that this is not a generic response to the requested search).
4. The text of the sponsored link does not contain the name of either plaintiff, although plaintiffs' names are shown nearby.
5. The web pages that appear in response to a click on the sponsored link do not contain the name of either plaintiff.
6. Nothing the defendants purchased or published indicates any affirmative endorsement by either plaintiff of the defendants' services.¹³⁵¹

1348. Wis. Stat. Ann. § 995.50(2)(b) (West 2009).

1349. *See* Habush v. Cannon, 100 U.S.P.Q.2d 1890 (Wis. Cir. Ct. 2011).

1350. *See id.* at 1895.

1351. *Id.* at 1903.

The defendants' motion for summary judgment therefore was granted, while that of the plaintiffs was denied.¹³⁵²

***c. Other State Statutory and Common-Law Unfair
Competition Claims***

(1) California

Having previously found infringement as a matter of law and unlawful cybersquatting as a matter of fact, a federal district court turned to the California state-law claims advanced by two plaintiffs before it.¹³⁵³ As developed on the plaintiffs' motion for summary judgment and at trial, the record demonstrated that the defendant had registered twenty domain names based on marks owned by the plaintiffs, had publicly held himself out as owning the plaintiffs' primary mark, had formed corporations with names based on the plaintiffs' marks, and had filed applications with the USPTO to register marks based on the plaintiffs' marks.¹³⁵⁴ The court found that this conduct constituted unfair competition under the four-part test for that tort under California common law:

(1) the [lead plaintiff] has invested substantial time and money in developing its Marks; (2) [the defendant] appropriated and used the [lead plaintiff's] Marks at little or no cost relative to the [lead plaintiff's]; (3) the [lead plaintiff] did not authorize or consent to the Marks[] appropriation and use; and (4) the [lead plaintiff] was injured by the appropriation and use.¹³⁵⁵

Moreover, the same considerations established the defendant's liability for fraud under California's Unfair Competition Law.¹³⁵⁶

Although not all applications of that statute were as restrictive,¹³⁵⁷ another plaintiff attempting to avail itself of the same statute similarly failed to make it past the pleadings stage.¹³⁵⁸ The proper scope of the statute arose in the context of a motion to amend the complaint, of which the court remarked that "[t]hough not entirely clear from the proposed pleading, Plaintiff

1352. *See id.*

1353. *See City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087 (S.D. Cal. 2012).

1354. *See id.* at 1097-99.

1355. *Id.* at 1111.

1356. *See id.* (applying Cal. Bus. & Prof. Code Ann. § 17200) (West 1980 & Supp. 2012).

1357. *See, e.g., Fraley v. Facebook, Inc.*, 830 F. Supp. 2d 785, 810-14 (N.D. Cal. 2011) (denying motion to dismiss cause of action under Cal. Bus. & Prof. Code § 17200 in substantial part based on prior holding that plaintiffs had adequately pleaded cause of action for violation of their rights of publicity).

1358. *See Zero Motorcycles, Inc. v. Pirelli Tyre S.p.A.*, 802 F. Supp. 2d 1078 (N.D. Cal. 2011).

appears to allege that Defendants acted ‘unfairly’ by engaging in a concerted effort before the PTO and other fora to challenge Plaintiff’s use of [its] mark.”¹³⁵⁹ The court declined to allow the proposed amendment on the ground that “there are no allegations that tether such claim to any constitutional, statutory, or regulatory provision. To the contrary, it is clear from the allegations presented that Defendants did little more than [sic] seek to protect [their] intellectual property rights”¹³⁶⁰

The court reached the same conclusion with respect to the plaintiff’s attempt to add a cause of action trade libel, which the court held to require a tripartite showing, namely, “(1) [a] publication, (2) which induces others not to deal with plaintiff, and (3) special damages.”¹³⁶¹ The court faulted the plaintiff’s averments with respect to each of these requirements, but it devoted the most attention to the plaintiff’s concerns about the defendants’ pending petitions before the Trademark Trial and Appeal Board to cancel registrations owned by plaintiff. As to those, the court concluded that “Plaintiff has simply alleged that Defendants made false statements to the PTO regarding the similarity of [the parties’] respective marks. Such a statement does not impugn the quality or character of Plaintiff’s [goods]”¹³⁶²

(2) Georgia

In an application of the Georgia Deceptive Trade Practices Act,¹³⁶³ the intermediate court of appeals of that state declined to reverse a trial court’s refusal to instruct a jury that “[c]oexistence in the marketplace over a significant period of time with no evidence of actual confusion raises a presumption against a likelihood of confusion; however, the presumption may be rebutted by evidence of other factors tending to support a finding of a likelihood of confusion.”¹³⁶⁴ Although one of its own previous opinions had stated that “evidence of actual confusion is obviously the best evidence of a likelihood of confusion . . . ,”¹³⁶⁵ the appellate court characterized that statement as “dicta and not a statement of

1359. *Id.* at 1089.

1360. *Id.*

1361. *Id.* (quoting *Aetna Cas. & Sur. Co. v. Centennial Ins. Co.*, 838 F.2d 346, 351 (9th Cir. 1988)).

1362. *Id.*

1363. Ga. Code Ann. § 10-1-370 *et seq.* (West 2009 & Supp. 2012).

1364. *Quoted in Trotman v. Velociteach Project Mgmt., LLC*, 715 S.E.2d 449, 455 (Ga. Ct. App. 2011).

1365. *Ackerman Sec. Sys. v. Design Sec. Sys.*, 412 S.E.2d 588, 589 (Ga. Ct. App. 1991).

settled law.”¹³⁶⁶ Moreover, and of equal importance, “actual confusion in the marketplace need not be shown.”¹³⁶⁷

A different plaintiff fared worse in its pursuit of a false advertising-based unfair competition cause of action under the Georgia common law.¹³⁶⁸ The gravamen of the plaintiff’s claim was that the defendant had induced it to purchase software from the defendant through false representations about the software’s capabilities. According to the court, “[t]he same factual and legal analysis is used for Lanham Act and Georgia common-law unfair competition claims,” which meant that “allegedly false statements [must] be made in the context of commercial advertising or promotion.”¹³⁶⁹ Because “[t]o qualify as commercial advertising or promotion, the communication must be commercial speech by a defendant in commercial competition with plaintiff,”¹³⁷⁰ and because the plaintiff’s averments failed to establish that it was in competition with the defendant, its unfair competition cause of action was dismissed for failure to state a claim.¹³⁷¹

(3) Illinois

The Illinois Uniform Deceptive Trade Practices Act¹³⁷² may be broadly worded in terms of the conduct it prohibits, but one plaintiff learned the hard way that the statute applies only to conduct within the state’s borders.¹³⁷³ Responding to a motion to dismiss for failure to state a claim, the plaintiff argued that its complaint alleged misleading advertising by the defendants on a nationwide scale. The plaintiff’s allegations did not, however, identify any actionable activities by the defendants specific to Illinois, which led the court entertaining the defendants’ motion to grant it. Not only did Illinois Supreme Court authority mandate that result¹³⁷⁴ but the plaintiff’s argument ignored “the larger comity- and potentially Constitution-based limitations on extraterritorial application of state law, which do not always allow

1366. *Trotman*, 715 S.E.2d at 455.

1367. *Id.*

1368. *See Tri-State Consumer Ins. Co. v. LexisNexis Risk Solutions Inc.*, 823 F. Supp. 2d 1306 (N.D. Ga. 2011).

1369. *Id.* at 1326 (internal quotation marks omitted).

1370. *Id.* (quoting *Wilchcombe v. Teevee Toons, Inc.*, 515 F. Supp. 2d 1297, 1305 (N.D. Ga. 2007), *aff’d*, 555 F.3d 949 (11th Cir. 2009)).

1371. *See id.*

1372. 815 Ill. Comp. Stat. 510/2 (2010).

1373. *See LG Elecs. U.S.A., Inc. v. Whirlpool Corp.*, 809 F. Supp. 2d 857 (N.D. Ill. 2011).

1374. *See Avery v. State Farm Mut. Auto, Ins. Co.*, 835 N.E.2d 801, 854 (Ill. 2005).

a court to issue a court to issue a nationwide injunction based on a violation of state law.”¹³⁷⁵

(4) Louisiana

Courts applying the statutory unfair competition causes of action of many states can take a shortcut by simply holding the tests for liability under those causes of action to be coextensive with those under the Lanham Act. Nevertheless, this is not so for courts required to apply the Louisiana Unfair Trade Practices Act (LUTPA),¹³⁷⁶ under which, one federal district court held, “[t]o prevail . . . , a plaintiff must prove ‘some element of fraud, misrepresentation, deception or other unethical conduct.’”¹³⁷⁷ With the plaintiff before that court unable to point to record evidence or testimony that the defendant had engaged in any such conduct, the plaintiff’s LUTPA claim was dismissed on summary judgment.¹³⁷⁸

(5) Michigan

The parameters of state-law causes of action for unfair competition can be broader than their counterparts under federal law, but such is not the case in Michigan. In one case turning in part on the Michigan common law of unfair competition, the plaintiff owned a registration of its mark for the “testing and grading of building materials, other than metal plate connected wood trusses,”¹³⁷⁹ while the defendant admitted to having produced corrugated boxes bearing the plaintiff’s mark. Although this admission established the defendant’s liability for infringement and unfair competition under the Lanham Act as a matter of law, it was the defendant, and not the plaintiff, that prevailed on summary judgment where the plaintiff’s state-law claim was concerned. As to it, the federal district court hearing the case invoked case law from the Michigan Court of Appeals¹³⁸⁰ to hold that the parties’ noncompetitive relationship precluded a finding of liability.¹³⁸¹

1375. *LG Elecs.*, 809 F. Supp. 2d at 861.

1376. La. Rev. Stat. Ann. § 51:1405 (West 2003).

1377. *Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846, 866 (W.D. La. 2011) (quoting *Omnitech Int’l, Inc. v. Clorox Co.*, 11 F.3d 1316, 1332 (5th Cir. 1994)).

1378. *See id.*

1379. *Quoted in Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819, 829 (W.D. Mich. 2011).

1380. *See Boron Oil Co. v. Callanan*, 213 N.W.2d 836, 838 (Mich. Ct. App. 1973) (“Ordinarily, one simply cannot be found guilty of unfair competition when the facts indicate no competition.”).

1381. *See Timber Prods. Inspection*, 827 F. Supp. 2d at 833.

(6) New York

Section 349 of New York's General Business Law¹³⁸² bars deceptive acts and practices, and it led to a default judgment in one reported opinion,¹³⁸³ but two other cases proved there are limits to its scope. The counterclaim plaintiff in the first learned that lesson the hard way when it responded to an infringement and unfair competition suit with a cause of action grounded in counterclaim defendants' transmittal of demand letters allegedly misrepresenting the scope of the counterclaim defendants' trademark rights.¹³⁸⁴ Granting the counterclaim defendants' motion to dismiss, the court noted that "[t]o maintain a cause of action under § 349, a plaintiff must show: (1) that the defendant's conduct is consumer-oriented; (2) that the defendant is engaged in a deceptive act or practice; and (3) that the plaintiff was injured by this practice."¹³⁸⁵ Because the counterclaim defendants had directed their letters only to the counterclaim plaintiff and to a business associated with the counterclaim plaintiff, rather than to the public at large, the counterclaim plaintiff's Section 349 cause of action necessarily was without merit: As the court explained, "there is no allegation that even a single consumer in the State of New York was the target of the Counter-Defendants' allegedly deceptive conduct."¹³⁸⁶

Section 349 was held in the second case not to reach the alleged reproduction of copyrighted photographs, even if that copying was coupled with false representations that the lead defendant had taken at least some of the photographs in question.¹³⁸⁷ Adopting a substantively identical tri-partite test for liability, the court found the plaintiff's allegations under the first prong to be deficient because "[t]he complaint generally alleges harm to the public but does not allege defendants' actions harmed the public in a material way."¹³⁸⁸ In particular, although the plaintiff averred that consumers would be confused by the defendants' conduct, "allegations of consumer confusion are generally not sufficient consumer harm to state a section 349 claim."¹³⁸⁹

1382. N.Y. Gen. Bus. Law § 349 (McKinney 2010).

1383. *See* *CommScope, Inc. of N.C. v. Commscope (U.S.A.) Int'l Grp.*, 809 F. Supp. 2d 33, 39-40 (N.D.N.Y. 2011).

1384. *See* *RFP LLC v. SCVNGER, Inc.*, 788 F. Supp. 2d 191 (S.D.N.Y. 2011).

1385. *Id.* at 199 (quoting *Spagnola v. Chubb Corp.*, 574 F.3d 64, 74 (2d Cir. 2009)).

1386. *Id.* at 200.

1387. *See* *Levine v. Landy*, 832 F. Supp. 2d 176 (N.D.N.Y. 2010).

1388. *Id.* at 192.

1389. *Id.* (quoting *Stadt v. Fox News Network LLC*, 719 F. Supp. 2d 312, 319 (S.D.N.Y. 2010)).

(7) North Carolina

In affirming a finding of liability under the North Carolina Uniform Deceptive Trade Practices Act,¹³⁹⁰ the Fourth Circuit rejected a narrow interpretation of that statute urged upon it by the defendant.¹³⁹¹ Following a nine-day trial, a jury had found that, *inter alia*, that the defendant had distributed, marketed, and sold a private-label cookware line that was deceptively similar to a line of cookware distributed by the plaintiff, that the defendant had done so with full knowledge of the plaintiff's line, and that the plaintiff had been damaged by the defendant's conduct.¹³⁹² The factual findings, the court held, were sufficient to support a post-trial holding by the magistrate judge to which the case had been assigned that the state statute had been violated as a matter of law.¹³⁹³ En route to this conclusion, the court rejected the defendant's argument that liability under the statute attached only to unfair *and* deceptive trade practices: To the contrary, "[a] practice must be unfair *or* deceptive, not both."¹³⁹⁴

(8) Oklahoma

A federal court applying the Oklahoma Deceptive Trade Practices Act (ODTPA)¹³⁹⁵ in a dispute between competing restaurateurs using the same mark confirmed that the Act's protections are applicable only in cases involving direct competitors.¹³⁹⁶ It therefore held that "[b]ecause plaintiff has never had any actively competing franchises or stores, defendants are entitled to summary judgment on plaintiff's ODTPA Claim."¹³⁹⁷

(9) Virginia

In an application of Virginia law, the Fourth Circuit confirmed that facts supporting allegations of infringement and likely dilution ordinarily will not support a claim for unjust enrichment.¹³⁹⁸ The case leading to this result arose from allegations by the plaintiff that Google's ADWORDS program,

1390. N.C. Gen. Stat. § 75-1.1 (2011).

1391. *See* *Belk, Inc. v. Meyer Corp.*, 679 F.3d 146 (4th Cir. 2012).

1392. *See id.* at 152.

1393. *See id.* at 165-66.

1394. *Id.* at 165.

1395. 78 Okla. Stat. Ann. § 54.A (West 2011).

1396. *See* *Original Rex, L.L.C. v. Beautiful Brands Int'l, LLC*, 792 F. Supp. 2d 1242, 1261 (N.D. Okla. 2011)

1397. *Id.* at 1262.

1398. *See* *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

pursuant to which marks may be “purchased” as triggers for sponsored advertising, produced both a likelihood of confusion and a likelihood of dilution when the advertisements were purchased by purveyors of goods bearing counterfeit marks. Affirming the district court’s dismissal of the plaintiff’s unjust enrichment cause of action for failure to state a claim, the appellate court noted that the success of that cause of action depended on three showings by the plaintiff: (1) the plaintiff had conferred a benefit on the defendant; (2) the defendant knew of the benefit and should reasonably have expected to repay the plaintiff; and (3) the defendant accepted or retained the benefit without paying for its value.¹³⁹⁹ Because the plaintiff had failed to aver any facts in its complaint that Google reasonably should have expected to pay for any benefit received from the plaintiff, that aspect of the complaint could not stand.¹⁴⁰⁰

13. Secondary Liability

Unfair competition law recognizes two types of secondary liability—contributory infringement and vicarious liability. In addition, it may be possible under principles of agency law to hold a principal liable for the torts of its agents. Each of these concepts obviously depends on a finding of liability in the first instance.¹⁴⁰¹

a. Contributory Infringement, Likelihood of Dilution, and Cybersquatting

Rumors of the death of liability for contributory infringement in the online context after *Tiffany (NJ) Inc. v. eBay Inc.*¹⁴⁰² proved to be exaggerated, at least in the Fourth and the Ninth Circuits. In *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*,¹⁴⁰³ the latter court declined to set aside a jury verdict against defendants in the web hosting business, who, between them, operated servers and leased packages of server space, bandwidth, and IP addresses to customers trafficking in goods bearing counterfeit imitations of the plaintiff’s marks. According to the court, “[t]o prevail on its claim of contributory trademark infringement, [the plaintiff] had

1399. *See id.* at 165-66.

1400. *See id.* at 166.

1401. For an example of an opinion dismissing claims of contributory infringement and vicarious liability based at least in part on the plaintiffs’ failure to prove infringement, see *Kelly-Brown v. Winfrey*, 103 U.S.P.Q.2d 1375, 1382 (S.D.N.Y. 2012); *cf. id.* at 1382 (“Plaintiffs’ argument that each Defendant is liable based on an alleged partnership or agency relationship fails because there is no predicate Lanham Act violation to attribute to any purported partner or agent of any Defendant.”).

1402. 600 F.3d 93 (2d Cir. 2010).

1403. 658 F.3d 936 (9th Cir. 2011).

to establish that [the defendants] continued to supply [their] services to one who[m] [they] knew or had reason to know was engaging in trademark infringement.”¹⁴⁰⁴ It held that there was sufficient record evidence and testimony to satisfy this standard, despite two attacks on the jury’s decision by the defendants.

In the first, the defendants argued that their services were not the “means” of infringement; rather, the websites of their customers were. The court disagreed, holding instead that:

[W]ebsites are not ethereal; while they exist, virtually, in cyberspace, they would not exist at all without physical roots in servers and internet services [The defendants] had control over the services and servers provided to the websites. Stated another way, [the defendants] had direct control over the “master switch” that kept the websites online and available.¹⁴⁰⁵

The court then rejected the defendants’ second argument, which was that they must have intentionally contributed to their customers’ misconduct to be held liable for that misconduct. To the contrary, “[p]laintiffs asserting contributory trademark infringement claims must prove that defendants provided their services with actual or constructive knowledge that the users of their services were engaging in trademark infringement. An express finding of intent is not required.”¹⁴⁰⁶

The Fourth Circuit’s analysis was based on different facts and a different procedural disposition, but it also proved receptive to a claim of contributory infringement. The case before that court was *Rosetta Stone Ltd. v. Google, Inc.*,¹⁴⁰⁷ in which Rosetta Stone argued that Google’s “sale” of Rosetta Stone’s marks as triggers for paid advertising had contributed to the infringement of those marks. In vacating entry of summary judgment in Google’s favor, the court applied the Supreme Court’s observation in *Inwood Labs. v. Ives Labs.*¹⁴⁰⁸ that:

[I]f 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, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.¹⁴⁰⁹

1404. *Id.* at 942 (internal quotation marks omitted).

1405. *Id.* at 942-43.

1406. *Id.* at 943 (citation omitted).

1407. *See Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

1408. 456 U.S. 844 (1982).

1409. *Rosetta Stone*, 676 F.3d at 163 (quoting *Inwood*, 456 U.S. at 854).

Under this standard, the court held:

It is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to identified individuals that it knows or has reason to know are engaging in trademark infringement.¹⁴¹⁰

In overturning the district court's grant of Google's motion for summary judgment, the appellate court focused on record evidence that Google had allowed third parties to repurchase advertising triggered by Rosetta Stone's marks after earlier advertising placed by the third parties had been terminated because it allegedly promoted the sale of goods bearing counterfeit imitations of those marks. This showing by Rosetta Stone, the Fourth Circuit held, was "sufficient to establish a question of fact as to whether Google continued to supply its services to known infringers."¹⁴¹¹ As a consequence, the court remanded the action for a trial on the merits of Rosetta Stone's contributory infringement claim.¹⁴¹²

A New York federal district court similarly declined to resolve the allegations of contributory infringement before it as a matter of law, at least at the pleadings stage.¹⁴¹³ The defendants were in the business of licensing photographs, some of which featured the plaintiffs' product configuration marks. The plaintiffs' allegations of direct infringement survived the defendants' motion to dismiss for failure to state a claim, and the same was true of their averments of contributory infringement. In denying the motion, the court applied the Supreme Court's holding in *Inwood Laboratories v. Ives Laboratories*¹⁴¹⁴ that secondary liability will lie if "a manufacturer or distributor intentionally induces another to infringe a trademark, or . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement."¹⁴¹⁵ Reviewing the plaintiffs' allegations in light of this standard, the court held that:

[T]he Court does not know whether Plaintiffs will be able to prove that (1) Defendants knew, at any point after they made available on their website images containing the Tree Marks, that their actions constituted trademark infringement, and (2) Defendants' customers have infringed on the Tree Marks, such

1410. *Id.*

1411. *Id.* at 165.

1412. *See id.*

1413. *See Car-Freshner Corp. v. Getty Images, Inc.*, 822 F. Supp. 2d 167 (N.D.N.Y. 2011).

1414. 456 U.S. 844 (1982).

1415. *Id.* at 854.

that Defendants may be held liable for inducing this infringement. However, at this stage of the proceeding, it is enough that Plaintiffs have alleged facts plausibly suggesting that (1) Defendants' customers, through commercial use of images licensed from Defendants containing the Tree Marks, have infringed on Plaintiffs' Tree Marks, and (2) Defendants induced this infringement by offering licensing rights to images containing Plaintiffs' Tree Marks, despite knowing that the images constituted infringement.¹⁴¹⁶

Not all plaintiffs benefitted from what was an uncommonly receptive environment for allegations of contributory misconduct.¹⁴¹⁷ For example, one federal district court granted summary judgment of nonliability to an Internet domain name registrar accused of contributory cybersquatting.¹⁴¹⁸ The defendant, a domain name registrar, was accused of facilitating a third party's registration of domain names similar to the plaintiff's marks, which the third party used to route online traffic to websites with pornographic content. Entertaining the defendant's motion for summary judgment, the court held "for the sake of argument that contributory liability exists under the ACPA."¹⁴¹⁹ Nevertheless, there were several reasons why the plaintiff's claim failed as a matter of law, the first of which was that "a company providing an Internet routing service does not exercise the type of direct control and monitoring that would justify recognition of a contributory infringement claim."¹⁴²⁰ Of greater significance, however, was the court's conclusion that the plaintiff had failed to establish a factual dispute as to the third-party registrant's bad-faith intent to profit from its conduct: "Because [the plaintiff] has failed to present evidence sufficient to support all the statutory elements of a claim of direct cybersquatting, it cannot show that [the defendant] engaged in contributory cybersquatting."¹⁴²¹

1416. *Id.* at 180.

1417. *See, e.g.,* Ascentive, LLC v. Opinion Corp., 842 F. Supp. 2d 450, 470 (E.D.N.Y. 2011) (denying preliminary injunction on ground that "plaintiffs are unlikely to succeed on any contributory infringement claim against [the defendant] because they do not sufficiently allege, let alone make, such a claim in their complaints").

1418. *See* Petroliam Nasional Berhad v. GoDaddy.com Inc., 101 U.S.P.Q.2d 1507 (N.D. Cal. 2012).

1419. *Id.* at 1515.

1420. *Id.* at 1516. As the court further explained, "[d]omain name registration and routing are services routinely provided by registrars, and cannot be considered the type of direct control over the use of [a plaintiff's] mark that is required for the application of secondary liability principles." *Id.* at 1517.

1421. *Id.*

b. Vicarious Liability

In contrast to the relative success of claims for contributory infringement over the past year, attempts to hold defendants vicariously liable for the unfair competition of others are advanced with infrequent success, and the Fourth Circuit's articulation of the standard governing allegations of vicarious liability suggests why:

“Vicarious liability” in the trademark context is essentially the same as in the tort context: the plaintiff seeks to impose liability based on the defendant's relationship with a third party tortfeasor. Thus, liability for vicarious trademark infringement requires “a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.”¹⁴²²

The occasion for this restatement was the allegation that, by virtue of its sale of paid advertising triggered by searches for particular marks, Google had control over the appearance and content of that advertising. Although the court held that there was a disputed question of fact as to whether Google was willfully blind to the possibility that some of the advertisements were for goods bearing counterfeit marks, the court's sympathy did not extend to the plaintiff's claim of vicarious liability. Because the plaintiff had failed to adduce evidence or testimony that Google acted jointly with its advertisers with respect to unlawful goods they may have sold, summary judgment in Google's favor had been appropriate.¹⁴²³

Another claim of vicarious liability fell so short of the mark that it was dismissed at the pleadings stage for failure to state a claim.¹⁴²⁴ According to the court taking this step, “[v]icarious trademark infringement . . . ‘requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.’”¹⁴²⁵ The defendants licensed third parties to use photographs and other materials, some of which contained images of the plaintiffs' product configuration mark. In addition to alleging direct and

1422. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 165 (4th Cir. 2012) (quoting *Hard Rock Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992)).

1423. *See id.*

1424. *See Car-Freshner Corp. v. Getty Images, Inc.*, 822 F. Supp. 2d 167 (N.D.N.Y. 2011).

1425. *Id.* at 180 (quoting *Gucci Am., Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228, 247 (S.D.N.Y. 2010) (quoting *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992))).

contributory infringement, the plaintiffs' complaint averred that the defendants had an apparent or actual partnership with both the photographers supplying them and their customer licensees, that the defendants had the authority to bind those same individuals and entities, and that the defendants exercised joint ownership over the images created by the photographers. The court concluded that the plaintiffs' allegations in support of these theories were too conclusory to satisfy even notice pleading requirements, and it additionally faulted the plaintiffs for failing to recognize with respect to the photographers' alleged liability for direct infringement that "the creation of the [challenged] images alone does not give rise to trademark liability."¹⁴²⁶ It therefore granted the defendants' motion to dismiss the plaintiffs' allegations of vicarious liability.¹⁴²⁷

c. Liability for the Infringement and Unfair Competition of Agents

It is possible under certain circumstances to hold principals liable for the infringement and unfair competition of their agents, and one plaintiff successfully invoked this principle under Washington state law.¹⁴²⁸ When a real estate brokerage failed to renew its membership in the National Association of Realtors, its license to use the Association's federally registered REALTOR mark terminated, but the actual use of the mark by its agents did not. In the lawsuit that followed, the court found on the Association's motion for summary judgment that confusion was likely as a matter of law and, additionally, that the brokerage was secondarily liable from the infringement of its agents. The basis of the latter holding was the Washington Real Estate Brokers and Sales Persons Act (REBSPA),¹⁴²⁹ which, as interpreted by the court, "establishes that managing brokers, such as [the lead individual defendant], are responsible for the conduct of their subordinates, so long as the subordinate's behavior is regulated by REBSPA."¹⁴³⁰ This, the court held, was the case: "Because REBSPA regulates misrepresenting membership in a state or national real estate association, [the defendants] can be held secondarily liable for this behavior."¹⁴³¹

1426. *Id.* at 181.

1427. *See id.* at 182.

1428. *See Nat'l Ass'n of Realtors v. Champions Real Estate Servs. Inc.*, 812 F. Supp. 2d 1251 (W.D. Wash. 2011).

1429. Wash. Rev. Code Ann. § 18.85.010 *et seq.* (West 2009).

1430. *Nat'l Ass'n of Realtors*, 812 F. Supp. 2d at 1258.

1431. *Id.* at 1258-59 (citations omitted).

In contrast, a more characteristic opinion addressing agency liability over the past year rejected it on a defense motion for summary judgment.¹⁴³² The defendant operated a website forum that hosted discussions of bodybuilding and nutritional supplements. To oversee and edit those discussions, the defendant relied on nonemployees, who had the ability to delete posts and to ban forum users. When the plaintiff discovered allegedly false commentary posted by one such moderator, it filed suit and argued that, because the monitor was an agent of the defendant, the defendant properly should be held liable for the monitor's posting.

Discovery, however, disclosed that the monitor had posted the challenged statements well before he became a monitor, and that the statements were attributable to him *as* a monitor only because his change of status was retroactively applied to all his past posts. Moreover, the post in question had failed to trigger any responses when it was originally made. Finally, and of equal importance to the court, “[a]t most, [the defendant] represented to the public that moderators had the authority to oversee and edit forum discussions. This does not translate into a representation that forum moderators represent [the defendant] when stating personal opinions on a forum.”¹⁴³³ Summary judgment of nonliability was therefore appropriate on the ground that “a close link between an agent's tortious conduct and the agent's apparent authority must exist in order for the principal to be liable. Here, this close link does not exist.”¹⁴³⁴

14. Personal Liability

Motions to dismiss allegations of personal liability do not enjoy a particularly strong track record,¹⁴³⁵ but not all allegations of personal liability in complaints did the job at the pleadings stage over the past year,¹⁴³⁶ even when their sufficiency was not questioned by defendants. For example, one court declined to enter a default judgment that would have held the president of a terminated corporate franchisee individually liable for the

1432. *See Cornelius v. Bodybuilding.com LLC*, 100 U.S.P.Q.2d 1483 (D. Idaho 2001).

1433. *Id.* at 1488.

1434. *Id.* (citation omitted).

1435. *Cf. Synthes, Inc. v. Marotta*, 281 F.R.D. 217, 233 (E.D. Pa. 2012) (granting motion for leave to amend complaint to add individual defendant notwithstanding individual defendant's argument that amendment would be futile).

1436. *See, e.g., Transfresh Corp. v. Ganzerla & Assoc.*, 862 F. Supp. 2d 1009, 1020 (N.D. Cal. 2012) (granting motion to dismiss filed by individual defendant on ground that “[w]hile an individual who is found to be an alter-ego of a corporation may be held liable for the statements of the corporation, Plaintiff has not alleged alter-ego liability or any facts that would support such a theory in its complaint”).

corporate franchisee's post-termination infringement.¹⁴³⁷ As pleaded in the complaint, the plaintiff's claims against the president turned on his status as the "the moving, active and conscious force behind the misconduct" and on the allegation that "as an owner of [the corporate franchisee], [he] authorized and approved the misconduct."¹⁴³⁸ Noting that those averments were "really nothing more than a general allegation that [the president] was an officer and owner of the company,"¹⁴³⁹ the court rejected the proposition that "if officers or owners were personally liable for their corporation's infringement based solely on their role or ownership interest, owners and officers would be liable as a matter of course"¹⁴⁴⁰ Instead, it held, "absent allegations or proof of any facts that establish his personal involvement in the infringement, through control or approval of the company's acts, [the president] may not be held personally liable for the [corporate franchisee's] infringement."¹⁴⁴¹

Consistent with this outcome, it was a motion for summary judgment that got another individual defendant, the president and owner of the lead corporate defendant, off the hook.¹⁴⁴² The plaintiff's averments of individual liability were apparently bereft of details of that defendant's participation in the alleged infringement; rather, "Plaintiff . . . instead appears to assert that personal liability as to [him] is appropriate pursuant to a respondeat superior theory."¹⁴⁴³ This, the court held, would not do:

While the Court agrees that [the individual defendant] *can* be held personally liable for conduct that constitutes "active participation" in the allegedly infringing activity, Plaintiff has submitted no evidence demonstrating that [the individual defendant] was actively involved in the conduct giving rise to this action. [The individual defendant] has, however, submitted unrefuted evidence that he had no involvement in the conduct giving rise to this action.¹⁴⁴⁴

Summary judgment of nonliability therefore was appropriate.¹⁴⁴⁵

1437. See *Century 21 Real Estate LLC v. Destiny Real Estate Props. LLC*, 101 U.S.P.Q.2d 1423 (N.D. Ind. 2011).

1438. *Quoted in id.* at 1429.

1439. *Id.*

1440. *Id.*

1441. *Id.*

1442. See *Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819 (W.D. Mich. 2011).

1443. *Id.* at 824.

1444. *Id.* at 824-25.

1445. See *id.* at 825.

An individual defendant in a different case similarly escaped liability under the Delaware Deceptive Trade Practices Act¹⁴⁴⁶ through a motion for summary judgment.¹⁴⁴⁷ The gravamen of the plaintiffs' claim against the moving defendant was that he had created and disseminated a so-called "Imposter List" containing false information about the plaintiffs. With respect to the plaintiffs' statutory cause of action, the Delaware federal district court hearing the case noted that it had "predicted long ago that the Delaware Supreme Court would follow the generally accepted principle that a corporate officer or employee can be individually liable for the deceptive trade practices when he or she is an actual participant in the act or acts of unfair competition."¹⁴⁴⁸ Whatever the merits of this *legal* rule, however, the plaintiffs had failed to adduce any *facts* in support of their case against the defendant. Rather, the summary judgment record demonstrated that the defendant had no personal knowledge of the list and how and when companies such as the lead plaintiff were added to it, was not adept at using his computer, and was out of the office at the time the list was posted online.¹⁴⁴⁹

In contrast, one attempt to hold an individual liable for the infringement and unfair competition of a corporation he controlled produced mixed results at the summary judgment stage.¹⁴⁵⁰ The court acknowledged two theories under which the plaintiff might proceed against that individual. The first was that the individual was the corporation's alter ego and that it therefore was appropriate to pierce the corporate veil and expose him to liability; the record, however, failed to establish that the corporation was undercapitalized, lacked records, or ignored corporate formalities, or that the individual defendant "commingled his assets and affairs with [the corporation's], used the corporate form to promote fraud, or pay his individual expenses with corporate funds."¹⁴⁵¹ The court granted the plaintiff's motion for summary judgment as to the second theory, however, which was that the individual defendant had personally committed and directed, and was the active force behind, the corporation's infringement.¹⁴⁵²

1446. Del. Code Ann. tit. 6, § 2531 (West 2011).

1447. See *Tri-State Energy Solutions, LLP v. KVAR Energy Sav. Inc.*, 845 F. Supp. 2d 615 (D. Del. 2012).

1448. *Id.* at 621.

1449. See *id.* at 619.

1450. See *Dwyer Instruments Inc. v. Sensocin Inc.*, 103 U.S.P.Q.2d 1444 (W.D. Ind. 2012).

1451. *Id.* at 1460.

1452. As the court summarized the conduct producing this result:

It is undisputed that [the individual defendant], as the founder, shareholder, and sole employee of [the corporate defendant], participated directly in the activities that the Plaintiff claims constitute infringement of its intellectual property rights in [its

The same theory proved to be the key to another plaintiff's successful pursuit of a motion for summary judgment on its reverse passing off claim against an individual defendant, who was an officer of a furniture company that previously had been found liable for that tort.¹⁴⁵³ The defendant professed a lack of knowledge of the events leading to the earlier finding of liability, but the summary judgment record demonstrated otherwise. Not only had the defendant personally participated in the development of at least some of the advertising materials underlying the plaintiff's case, but he had also continued to support sales of the furniture in question well after he had actual notice of the plaintiff's objection and instead of pursuing a redesign of company's furniture.¹⁴⁵⁴ Under these circumstances, the court determined, "[e]ven viewing the facts in the light most favorable to Defendant, this court finds no genuine issue of material fact as to Defendant's personal liability under the Lanham Act."¹⁴⁵⁵

C. Defenses

1. Legal Defenses

a. Abandonment

Section 45 of the Lanham Act recognizes two bases for a finding of abandonment: (1) use of the mark in question has been discontinued with an intent not to resume use; and (2) conduct by the mark's owner, "including acts of omission as well as commission, [has] cause[d] the mark to become the generic name for the goods and services on or in connection with which it is used or otherwise to lose its significance as a mark."¹⁴⁵⁶ Both theories came into play over the past two years.

(1) Non-Use

Where discontinued marks are concerned, Section 45 provides that "[n]onuse for 3 consecutive years shall be prima facie evidence

federally registered trade dress]. He contacted the Chinese company that would manufacture the infringing [goods] and approved the design, and he contacted potential customers in a sales capacity and answered inquiries from potential customers regarding the [defendants' goods].

Id. at 1461.

1453. *See* Universal Furniture Int'l, Inc. v. Frankel, 835 F. Supp. 2d 35 (M.D.N.C. 2011).

1454. As the court summarized things, "[the individual defendant's] responsibilities included operations and financial, warehousing, order fulfillment, invoicing, order inquiries, and receiving phone calls from customers, all during a time period in which the sales attributable to the Lanham Act violation were made." *Id.* at 47-48.

1455. *Id.* at 49.

1456. 15 U.S.C. § 1127 (2012).

of abandonment.”¹⁴⁵⁷ Under the prevailing view of this statutory language:

Once the presumption is triggered, the legal owner of the mark has the burden of producing evidence of either actual use during the relevant period or intent to resume use. Additionally, . . . the presumption can be rebutted by showing valid reasons for nonuse.

. . . Once the challenger shows discontinued use, the owner must produce evidence of intent to resume use within the reasonably foreseeable future.¹⁴⁵⁸

As one plaintiff learned, to its regret, once a mark has been abandoned by its original owner, a subsequent purchaser of the mark will not be able to avail itself of the original owner’s date of first use.¹⁴⁵⁹ Seeking to establish its priority of rights, the plaintiff restaurateur negotiated purchases of rights from two prior users of the same mark, and, when it became apparent that those predecessors in interest had discontinued their respective uses for more than the statutory three-year period, the plaintiff secured a “clarification statement” from the principal of one of the predecessors that that predecessor had been “exploring . . . future possibilities” for the mark.¹⁴⁶⁰ Dismissing the significance of the clarification statement, the court observed that “[i]n considering the issue of intent to resume use, courts place little weight on self-serving affidavits and statements.”¹⁴⁶¹ It then found that “the Clarification Statement appears to fall into the category of ‘self-serving affidavits and statements.’”¹⁴⁶² Particularly because the statement was inconsistent with testimony in discovery that the predecessor in question had indeed abandoned its putative rights prior to assigning them to the plaintiff, the statement could not create a factual dispute as to the mark’s abandonment, and summary judgment for the defendants followed.¹⁴⁶³

In contrast, a finding as a matter of law that the plaintiff had *not* abandoned its rights came in a dispute brought by a gas service station franchisor against a group of holdover former franchisees.¹⁴⁶⁴ The defendants’ theory of abandonment was not

1457. *Id.*

1458. *Original Rex, L.L.C. v. Beautiful Brands Int’l, LLC*, 792 F. Supp. 2d 1242, 1253 (N.D. Okla. 2011) (internal quotation marks omitted).

1459. *See Original Rex, L.L.C. v. Beautiful Brands Int’l, LLC*, 792 F. Supp. 2d 1242 (N.D. Okla. 2011).

1460. *Quoted in id.* at 1255.

1461. *Id.*

1462. *Id.*

1463. *See id.*

1464. *See Total Petroleum P.R. Corp. v. Colon*, 819 F. Supp. 2d 55 (D.P.R. 2011).

clearly spelled out by the opinion rejecting it, but it apparently turned on the acquisition of the original franchisor by the plaintiff. Not surprisingly, the court rejected this corporate-takeover-as-forfeiture-of-rights argument: “It is clear that [the plaintiff] acquired the [original franchisor’s] marks when it purchased [the original franchisor] and there is no suggestion in the factual background of this case that [the plaintiff] ever abandoned those marks.”¹⁴⁶⁵

(2) “Naked” Licensing

In addition to forfeiting its rights through nonuse, a mark owner can also be saddled with a finding of abandonment grounded in its issuance of “naked” licenses, under which it fails to control the nature and quality of goods and services provided by its licensees. Specifically, “where the licensor fails to exercise adequate quality control over the licensee, ‘a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark.’”¹⁴⁶⁶ After several years of high-profile findings of naked licenses, more recent reported opinions have taken the traditional approach to claims of unclothed licensing, which is to reject them.¹⁴⁶⁷

One example of the difficulty proving a naked license arose from litigation between rival companies controlled by the Flynt brothers of the *Hustler* magazine empire.¹⁴⁶⁸ The younger brother, Jimmy Flynt, operated retail stores under the HUSTLER NEWS & GIFTS, INC., HUSTLER CINCINNATI, and HUSTLER HOLLYWOOD marks. The first of those stores, located in Cincinnati, may originally have been unlicensed, but it eventually became covered by a license from a trademark holding company controlled by the older brother, Larry Flynt. When the Flynts’ personal and business relationships deteriorated, Larry Flynt terminated the license, leading his brother to contend that the license had been an invalid naked one. The court rejected this claim as a matter of law, crediting Larry Flynt’s argument that “the requisite control required is minimal and is even less where the license parties have engaged in a close working relationship, and may justifiably rely on each parties’ [sic] intimacy with standards and procedures to ensure consistent quality, and no

1465. *Id.* at 68.

1466. *Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013, 1040 (C.D. Cal. 2011) (quoting *Moore Bus Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir. 1992)).

1467. *See, e.g., id.* at 1041 (rejecting as a matter of law allegation of naked licensing apparently grounded only in absence of express quality-control provision in license).

1468. *See L.F.P. IP Inc. v. Hustler Cincinnati Inc.*, 103 U.S.P.Q.2d 1393 (S.D. Ohio 2011).

actual decline in quality standards is demonstrated.”¹⁴⁶⁹ The summary judgment record demonstrated that these circumstances existed: Not only were Jimmy Flynt and his sons familiar with the licensor’s requirements as a result of their involvement enforcing those requirements against other licensees, the licensor “routinely examined [the licensed store’s] financial reports and received nightly sales reports.”¹⁴⁷⁰ Moreover, “[n]either party suggests the quality of the Hustler[-branded] goods was changed in any way when they were sold at the Hustler Cincinnati location as opposed to the other Hustler stores around the country,”¹⁴⁷¹ and, in any case, the “familial interconnectedness” of the parties’ businesses weighed against a finding that the license had been a naked one.¹⁴⁷²

Nevertheless, a claim of abandonment through naked licensing paid dividends in a suit brought by the putative successors in interest to a defunct restaurant franchise system against a group of defendants that included former franchisees in the system.¹⁴⁷³ The summary judgment record demonstrated that the franchisor’s control over the use of the disputed mark, which had never been particularly strict, loosened considerably after the death of the franchisor’s principal and the mark’s transfer to a new owner, which informally wound down the system. Seeking to head off a finding of abandonment as a matter of law, the plaintiff argued that the original franchisor had been entitled to rely on his close relationship with the alleged naked licensee and that the licensee’s compliance with applicable state health regulations cured any failure by the original franchisor’s successors to monitor the licensee’s activities. The court rejected both of these theories, holding that any close relationship between the original franchisor had died with the original franchisor’s principal¹⁴⁷⁴ and that compliance with the regulations failed to do the job as well: “The State Department of Health regulations are aimed toward health and food safety—not toward maintaining a certain type or quality of product. Also, clearly the owners of the [disputed] [m]ark never appointed the Department of Health to carry out any quality control testing or evaluation of [the licensee’s goods].”¹⁴⁷⁵

1469. *Id.* at 1398 (internal quotation marks omitted).

1470. *Id.*

1471. *Id.*

1472. *See id.*

1473. *See* Original Rex, L.L.C. v. Beautiful Brands Int’l, L.L.C., 792 F. Supp. 2d 1242 (N.D. Okla. 2011).

1474. *See id.* at 1260.

1475. *Id.* at 1261.

b. Descriptive Fair Use

Descriptive fair use by a defendant of either the plaintiff's trademark or the words making up the plaintiff's trademark may be justified under any of three theories. First, Section 33(b)(4) of the Act recognizes as a defense to the conclusive evidentiary presumptions attaching to an incontestably registered mark that a defendant is using a personal name "in his own business" or other words "fairly and in good faith only to describe the [associated] goods or services . . . or their geographic origin."¹⁴⁷⁶ Second, the common law preserves defendants' ability to use personal names and descriptive terms in their primary descriptive sense; consequently, a defendant who, in an action to protect a registered mark, 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) 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."¹⁴⁷⁷

Perhaps the most notable application of the descriptive fair use doctrine came in an action by the federal registrant of the NAKED COWBOY mark (and scantily clad Times Square street performer) against the use of the phrase "naked cowboy" by the broadcaster (CBS) and the producer of the soap opera *The Bold and the Beautiful*.¹⁴⁷⁸ Whether or not in an attempt to capitalize on the plaintiff's model, one episode of the soap opera featured a character wearing only a hat, guitar, and underwear while serenading a love interest. For purposes of the defendants' motion to dismiss for failure to state a claim, the plaintiff convinced the court that the defendants' use of "naked cowboy" as the title for a YouTube-posted clip of the serenade constituted an actionable use in commerce. Nevertheless, the court also concluded as a matter of law that the defendants' use was a permissible descriptive one:

Not every unauthorized use of a protected mark is actionable. Section 33(b)(4) of the Lanham Act provides an affirmative defense to an infringement claim where the use of the mark "is a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods . . . of such party[.]" The fair use defense permits use of protected marks in descriptive ways, but not as marks identifying the user's own product. If it cannot be proven that

1476. 15 U.S.C. § 1115(b)(4) (2012).

1477. *Id.* § 1125(c)(3)(A).

1478. *See Naked Cowboy v. CBS*, 844 F. Supp. 2d 510 (S.D.N.Y. 2012).

the unauthorized use serves to identify the source of the defendant's product, such use is not protectable as a trademark.

Here, the challenged phrase “Naked Cowboy” is an example of non-trademark use. It is clear that CBS used the phrase in an effort to describe the contents of the video clip, not as a mark to identify the source of the video clips. The fact that the Episode’s source is CBS and not Plaintiff is clearly evidenced by the prominent display of the series’ title and CBS’s own recognizable “Eye” logo, as well as the short caption beneath the clip which references only named characters on the series.¹⁴⁷⁹

Another usually rare example of a successful descriptive fair use defense at the pleadings stage came in a challenge to the appearance on the cover of Oprah Winfrey’s *O* magazine of the phrase “Own Your Power.”¹⁴⁸⁰ The plaintiffs complained that the phrase infringed their registered OWN YOUR POWER mark for what they described as “a personal brand of self-awareness and motivational communications services.”¹⁴⁸¹ The defendants moved to dismiss the complaint on the ground that the challenged use was a descriptive fair one, which the court defined as turning on three showings by the defendants: “The fair use defense requires that the Defendants show that their use . . . was (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith.”¹⁴⁸²

Much of the opinion granting the defendants’ motion focused on the first of these prerequisites, with the plaintiffs arguing that the prominence of the phrase on the cover rendered it a trademark use ineligible for the defense. The court reached the contrary conclusion, because the magazine contained an article promoting an upcoming event styled as “a lively panel discussion about power,”¹⁴⁸³ because the challenged use was of many similar ones on the magazine’s cover,¹⁴⁸⁴ and because “the fact that the Defendants . . . prominently displayed their own trademark on the same page as the phrase is evidence of nontrademark use.”¹⁴⁸⁵ The court then allowed its determination of non-trademark use to drive a finding

1479. *Id.* at 516-16 (alterations in original) (citations omitted) (quoting 15 U.S.C. § 1117(b)(4) (2006)).

1480. *See Kelly-Brown v. Winfrey*, 103 U.S.P.Q.2d 1375 (S.D.N.Y. 2012).

1481. *Quoted in id.* at 1377.

1482. *Id.* at 1378 (quoting *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopolos Inc.*, 228 F.3d 56, 64 (2d Cir. 2000)).

1483. *Quoted id.* at 1377.

1484. Others included “Unlock Your Inner Superstar,” “Tap Into Your Strength,” “Focus Your Energy,” and “Let Yourself Shine.” *See id.* at 1380.

1485. *Id.* at 1379.

that the phrase had been used descriptively, rather than addressing the issue of whether the phrase actually described the magazine's contents.¹⁴⁸⁶ Finally, noting that the parties' respective uses "differ[ed] significantly," the court concluded with respect to the third prerequisite for an application of the descriptive fair use defense that "Plaintiffs have not alleged facts to plausibly suggest that Defendant intended to capitalize on Plaintiffs' good will"¹⁴⁸⁷

In contrast, the strict standard for the grant of a motion to dismiss for failure to state a claim tripped up the defendants in another case.¹⁴⁸⁸ As the court summarized their description of themselves in the complaint, the plaintiffs were "engaged in the business of manufacturing and marketing products, such as air fresheners, using distinctive Tree designs as trademarks and corporate identifiers."¹⁴⁸⁹ When the defendants, who were "in the business of licensing digital media through their website,"¹⁴⁹⁰ made available photographs featuring the plaintiffs' air fresheners,¹⁴⁹¹ the plaintiffs sued under a variety of infringement- and dilution-based theories. The defendants responded by moving for dismissal or, in the alternative, for summary judgment, in part on the theory that they had merely made descriptive fair uses of the plaintiffs' marks.

The defendants' arguments on the issue apparently conflated the first and the second prerequisites of the descriptive fair use defense,¹⁴⁹² but the court did little to clarify things while denying the defendants' motion on the ground that the plaintiffs had

1486. *See id.* ("The manner in which the Defendants used the Phrase on the cover of the Magazine demonstrates that it served in a descriptive capacity.")

1487. *Id.* at 1381.

1488. *See* Car-Freshner Corp. v. Getty Images, Inc., 822 F. Supp. 2d 167 (N.D.N.Y. 2011).

1489. *Id.* at 170.

1490. *Id.*

1491. The parties' pleadings established that:

[O]ne of the images on Defendants' website is of a Tree Mark bearing the words "Car-Freshner" and "Royal Pine," with its shadow. A second image depicts a red Tree Mark bearing the words "Fresh Scent," resting in green grass, at the forefront of an open field, with the out-of-focus background consisting of grass and trees. A third image depicts a Tree Mark hanging from the armpit of a man who has his shirt unbuttoned, plausibly suggesting that it is an odor fighter (as is Plaintiffs' product). A fourth images [sic] depicts approximately ten Tree Marks hanging from the lid of a garbage can, again plausibly suggesting that it is an odor fighter. Four more images depict a Tree Mark hanging from the rear view mirror of an automobile (as Plaintiffs' product often hangs).

Id. at 176.

1492. According to the court, "Defendants argue that their 'use' of Plaintiffs' Tree Marks constitutes 'fair use' (and therefore they have not 'used' the Tree Marks as trademarks), because the Tree Marks are being 'used' by Defendants only in 'their primary descriptive sense." *Id.*

“sufficiently alleged that Defendants use Plaintiffs’ Tree Marks in commerce as trademarks.”¹⁴⁹³ In particular, the court did not explain whether its conclusion on this point was grounded in averments by the plaintiffs that the defendants were using the plaintiffs’ marks as marks for the defendants’ goods or services, or, alternatively, whether the defendants were using the marks to identify the origin of the plaintiffs’ goods, in which case the nominative fair use doctrine might be more appropriate. Rather, it observed only that “after examining the images sold on Defendants’ website containing the Tree Marks, the Court finds that Plaintiffs have alleged facts plausibly suggesting that Defendants use Plaintiffs’ Tree Marks in the pictures in which the Tree Marks are depicted to sell the pictures.”¹⁴⁹⁴

c. Nominative Fair Use

A key question dividing courts applying the nominative fair use doctrine is whether it is an affirmative defense to be proven by a defendant after a showing of liability, which is the approach pioneered by the Third Circuit,¹⁴⁹⁵ or, alternatively, whether it must be overcome as part of a plaintiff’s prima facie case, which appears to be the rule settled upon by the Ninth Circuit.¹⁴⁹⁶ A resolution of this issue was not helped by the 2006 passage of the Trademark Dilution Revision Act, which incorporated the following “exclusion” into Section 43(c)(3)(A):

The following shall not be actionable as dilution by blurring or dilution by tarnishment . . . :

(A) Any fair use, including a nominative . . . 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, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.¹⁴⁹⁷

Interpreting this language in the context of an appeal from a finding of nominative fair use as a matter of law, the Fourth

1493. *Id.* at 176.

1494. *Id.*

1495. *See* Century 21 Real Estate Corp. v. LendingTree, Inc., 425 F.3d 211, 228 (3d Cir. 2005).

1496. *See* Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1183 (9th Cir. 2010).

1497. 15 U.S.C. § 1125(c)(3)(A)(i)-(ii) (2012).

Circuit had little difficulty divining the meaning of the word “exclusion”:

We view [Section 43(c)(3)(A)] as affording a fair use *defense* to defendants in dilution actions. In our view, once the owner of a famous mark establishes a prima facie case of dilution by blurring or tarnishment, it falls to the defendant to demonstrate that its use constituted a “fair use . . . other than as a designation of source for the [defendant’s] own goods or services.”¹⁴⁹⁸

The district court had entered summary judgment in the defendant’s favor after determining that the challenged use was “other than as a designation of source for [the defendant’s] own goods or services,” but the Fourth Circuit vacated that holding. According to the appellate court, such an analysis read out of existence the express reference to “fair use” in Section 43(c)(3)(A). Although the statute did not define the phrase, the court concluded that “[r]egardless of the type of fair use claimed by a defendant, a common component of fair use is good faith.”¹⁴⁹⁹ The district court therefore had erred by “impermissibly omitting the question of good faith and collapsing the fair-use defense into one question—whether or not [the defendant] uses the [plaintiff’s] mark as a source identifier for its own products.”¹⁵⁰⁰

The Ninth Circuit test for nominative fair use came into play in a district court opinion from that jurisdiction, albeit one in which the parties’ respective burdens did not come into play.¹⁵⁰¹ The case had its origins in the defendants’ decision not to renew their membership in the plaintiff, a collective organization, and their subsequent failure to discontinue use of the plaintiff’s federally registered REALTORS marks. On the plaintiff’s motion for summary judgment, the court applied the Ninth Circuit’s tripartite *New Kids on the Block* test for nominative fair use:

This doctrine applies when three elements are satisfied: “First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark,

1498. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 168-69 (4th Cir. 2012) (second and third alterations in original) (citation omitted) (quoting 15 U.S.C. § 1125(c)(3)(A)).

1499. *Id.* at 169.

1500. *Id.* at 170.

1501. *See Nat’l Ass’n of Realtors v. Champions Real Estate Servs. Inc.*, 812 F. Supp. 2d 1251 (W.D. Wash. 2011).

suggest sponsorship or endorsement by the trademark holder.”¹⁵⁰²

The court found none of the three factors satisfied:

First, Defendants and [their] brokers identified themselves as “real estate brokers” rather than “realtors” once they stopped using the Marks. Second, it was wholly unnecessary for the brokers to identify themselves using the Marks because they could use the term “real estate broker.” Finally, because the Marks are used to identify [the plaintiff’s] members, the brokers’ use incorrectly implied that they were members. In short, Defendants cannot defeat summary judgment with the nominal [sic] fair use doctrine.¹⁵⁰³

The Second Circuit has not formally recognized the nominative fair use doctrine, whether as a defense or otherwise, but that court nevertheless has observed that “the doctrine . . . allows [a] defendant [to] use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.”¹⁵⁰⁴ One federal district court within that jurisdiction cited this language favorably before assuming, for purposes of its disposal of a motion to dismiss, “that the doctrine is applicable.”¹⁵⁰⁵ It then denied the motion because the plaintiffs had sufficiently averred a likelihood of confusion between the parties’ uses that its averments rendered the doctrine moot.¹⁵⁰⁶

d. Innocent Printer

Section 32(2)(A) provides that only injunctive relief is available to a prevailing plaintiff if the defendant “is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator.”¹⁵⁰⁷ One defendant met with misfortune when it invoked Section 32(2)(A)’s innocent printer defense and was unable in response to the plaintiff’s summary judgment motion to identify record evidence or testimony that it was in the printing business or that it was, in fact, innocent.¹⁵⁰⁸ As to the first of these issues, the

1502. *Id.* at 1263 (quoting *New Kids on the Block v. News Am. Publ’g Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)).

1503. *Id.*

1504. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010) (quoting *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 413 (S.D.N.Y. 2006)).

1505. *Car-Freshner Corp. v. Getty Images, Inc.*, 822 F. Supp. 2d 167, 177 (N.D.N.Y. 2011).

1506. *See id.* at 178.

1507. 15 U.S.C. § 1114(2)(A) (2012).

1508. *See Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819 (W.D. Mich. 2011).

court noted that the defendant was a printer only in the sense that “its infringing conduct consisted . . . of printing the mark in question on boxes”;¹⁵⁰⁹ the defendant’s conduct therefore fell outside the scope of Section 32(2)(A), which the court held provided for “a limited exception to protect newspapers, magazines, broadcasters, and other media from liability for the innocent dissemination of infringing material.”¹⁵¹⁰ The defendant was no more successful in establishing a factual dispute as to its intent in light of evidence that it had copied the plaintiff’s packaging despite the display of the plaintiff’s mark in conjunction with the ® symbol.¹⁵¹¹ Because the defendant had made “absolutely no effort to determine” whether a third party ordering the packaging had been authorized to use the plaintiff’s mark, the court concluded that it could “discern[] no basis for according ‘innocent infringer’ status to [the defendant].”¹⁵¹²

2. Equitable Defenses

a. Unclean Hands

The general skepticism with which courts approach allegations of unclean hands was apparent in a Ninth Circuit opinion declining to hold that the doctrine barred an award of attorneys’ fees to a group of prevailing plaintiffs.¹⁵¹³ The gravamen of the plaintiffs’ complaint was that the defendants had engaged in false advertising by placing content on a for-profit website suggesting that the site was that of a state department of motor vehicles. Having lost on the merits of the plaintiffs’ claims, the defendants argued that the plaintiffs were not entitled to an award of fees because the plaintiffs had briefly advertised their services on the defendants’ site and because, like the defendants, the plaintiff themselves had registered domain names based on the letter string “dmv”; somewhat more improbably, the defendants also argued that the plaintiffs’ successful prosecution of their suit should bar relief.

Breezing past the issue of whether “the award of attorney’s fees is subject to equitable doctrines such as unclean hands,”¹⁵¹⁴ the court held that the defendants had failed to prove the existence of unclean hands by the required clear and convincing evidence. For one thing, “[m]erely registering a domain name isn’t proof of

1509. *Id.* at 826.

1510. *Id.*

1511. *See id.*

1512. *Id.*

1513. *See* *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820 (9th Cir. 2011).

1514. *Id.* at 833 n.9.

unclean hands. Until a domain name is associated with a server that hosts a website, it's not visible to consumers and thus can't possibly confuse them."¹⁵¹⁵ And, for another, "[the] plaintiffs' ads on [the defendants' site] ran for just *six hours*, a de minimis period of time. Our review of the record reveals no evidence of actual deception caused by [the] plaintiffs' advertising."¹⁵¹⁶ Finally, "[the] [p]laintiffs acquired information showing that [the] defendants confused the public; using *litigation* to shut down a competitor who uses unfair trade practices is precisely what the Lanham Act seeks to encourage."¹⁵¹⁷

One defendant grounded its claim of unclean hands in the theory that, because the plaintiff's registered marks (actually, variations on one mark) were generic, the plaintiff had engaged in trademark misuse and had violated unfair competition and antitrust laws by sending cease-and-desist letters to the trade and then filing suit against the defendant.¹⁵¹⁸ The court was unimpressed and held on the plaintiff's motion to dismiss that the successful assertion of the defense required a two-fold showing: (1) the plaintiff's alleged wrongdoing must be directly related to the claim asserted by the plaintiff; and (2) the defendant was personally injured by the alleged wrongdoing.¹⁵¹⁹ Because, in the court's view, the conduct underlying the asserted defense was "not specifically related to the trademark itself," the defendant had failed to state a claim to it.¹⁵²⁰

Litigation tactics were at the heart of another unsuccessful assertion of unclean hands in an action in the Southern District of New York.¹⁵²¹ The gravamen of the defendants' argument was that the plaintiff had unreasonably delayed filing its claims against them, but the court was unimpressed and entered summary judgment against them, at least as to this defense. The court pointed out that "[w]hile [the plaintiff] did not act promptly to pursue its infringement and dilution claims against Defendants, it explained that it did not do so because its intellectual property enforcement budget was consumed by the fight against counterfeiters."¹⁵²² Having credited that explanation, the court concluded that "I conclude that this was a tactical choice rather

1515. *Id.* at 834.

1516. *Id.*

1517. *Id.*

1518. *See* PODS Enters. v. ABF Freight Sys. Inc., 100 U.S.P.Q.2d 1708 (M.D. Fla. 2011).

1519. *See id.* at 1713.

1520. *Id.*

1521. *See* Gucci Am., Inc. v. Guess?, Inc., 868 F. Supp. 2d 207 (S.D.N.Y. 2012).

1522. *Id.* at 256.

than an ‘unconscionable act,’ and decline to apply the doctrine of unclean hands.”¹⁵²³

At least one state trial court also rejected the assertion of unclean hands in a case between competing Wisconsin trial lawyers.¹⁵²⁴ The plaintiffs alleged that the defendants had unlawfully used the plaintiffs’ names as the triggers for paid advertising purchased from search engines, in response to which the defendants pointed out that the plaintiffs appeared to have done the same thing with the defendants’ names. The summary judgment record demonstrated both that the advertising associated with the plaintiffs was a “free ‘throw-in’” the plaintiffs had not requested, that the plaintiffs’ employee who authorized the advertisement had not understood the advertisement would be triggered by searches for the plaintiffs’ names, and that the advertisement had been discontinued once the plaintiffs became aware of its existence. Because “Plaintiffs cannot be held to have unclean hands when they never requested or even knew that their . . . ad would appear in response to attorney name searches,” summary judgment rejecting that defense was appropriate.¹⁵²⁵

b. Laches

Some courts viewed claims of laches with skepticism over the past year.¹⁵²⁶ The opinion perhaps best exemplifying this came from the Fourth Circuit, which vacated a district court’s determination as a matter of law that a three-decade delay by a slow-to-anger plaintiff barred the plaintiff from pursuing its claims.¹⁵²⁷ The plaintiff was a radio network, as were the defendants, one of which secured summary judgment on the ground that the plaintiff had been aware of its alleged infringement for over thirty years. The appellate court reviewed this disposition of the plaintiff’s claims under a three-part test:

In determining whether laches operates as a defense to a trademark infringement claim, we consider at least the following factors: (1) whether the owner of the mark knew of

1523. *Id.*

1524. *See* Habush v. Cannon, 100 U.S.P.Q.2d 1890 (Wis. Cir. Ct. 2011).

1525. *Id.* at 1895.

1526. *See, e.g.,* Hokto Kinoko Co. v. Concord Farms, Inc., 810 F. Supp. 2d 1013, 1044-45 (C.D. Cal. 2011) (rejecting on motion for summary judgment claim of laches supported only by argument of counsel); CJ Prods. LLC v. Snuggly Plushez LLC, 809 F. Supp. 2d 127, 161-62 (E.D.N.Y. 2011) (holding that plaintiffs’ approximately seven-month delay in seeking preliminary injunction was not unreasonable, especially in light of expansion of defendants’ infringement).

1527. *See* Ray Commc’ns, Inc. v. Clear Channel Commc’ns, Inc., 673 F.3d 294 (4th Cir. 2012).

the infringing use; (2) whether the owner's delay in challenging the infringement of the mark was inexcusable or unreasonable; and (3) whether the infringing user has been unduly prejudiced by the owner's delay.¹⁵²⁸

The court faulted the district court's application of the first and third factors.¹⁵²⁹ As to the first, it held that "[t]he question whether a trademark owner knew or should have known that it had a viable claim for infringement is determined by an objective standard."¹⁵³⁰ Although the plaintiff's knowledge of the moving defendant's use was undisputed, its knowledge of whether it had a viable cause of action was not; indeed, the plaintiff argued that a geographic separation between the parties had prevented it from challenging the defendant until it did. The record evidence and testimony the plaintiff mustered in support of its position proved convincing, and the district court's reliance only on the testimony of a lay witness that the plaintiff indeed had had a cause of action failed to withstand appellate scrutiny, at least for purposes of the defendants' motion for summary judgment.¹⁵³¹

Leaving the door open for the district court to reconsider the second factor in light of its holding as to the first factor,¹⁵³² the Fourth Circuit then turned its attention to the third. The district court had determined as a matter of law that the defendants had suffered both economic and evidentiary prejudice as a result of the plaintiff's delay, but the Fourth Circuit concluded on its de novo review that "we are not persuaded that such elements are established on this record as a matter of law."¹⁵³³ According to the appellate court, "[a] defendant suffers economic prejudice when it relies upon the trademark owner's inaction by developing a valuable business around the [challenged] trademark. Evidentiary prejudice encompasses such things as lost, stale or degraded evidence or witnesses whose memories have failed or who have

1528. *Id.* at 300.

1529. With respect to the standard of review applicable to laches determinations on motions for summary judgment, the court held that:

[W]here a district court has granted summary judgment on the basis of laches, we review the sufficiency of the evidence in support of or in opposition to summary judgment de novo, but we review the district court's application of the laches elements to the undisputed material facts for abuse of discretion.

Id. at 299.

1530. *Id.* at 300-01.

1531. *See id.* at 304.

1532. *See id.* at 304-05 ("Having [determined] that the district court should determine on remand when the laches clock began to run in this case, we do not consider whether the record shows as a matter of law, as suggested by [the plaintiff], that [the plaintiff's] delay was reasonable.")

1533. *Id.* at 305.

died.”¹⁵³⁴ Because the district court had rested its finding of economic prejudice as a matter of law solely on the length of the plaintiff’s delay and because there was record evidence that the defendants voluntarily had discontinued the use of some of the challenged marks without apparent effect on their revenue, there was a factual dispute on the issue of economic prejudice.¹⁵³⁵ Likewise, with respect to evidentiary prejudice allegedly arising from a computer crash in the plaintiff’s offices, “[t]he district court erred in failing to indicate how the lack of available evidence *attributable to [the plaintiff]* is relevant to one or more material issues in dispute and would undermine [the lead defendant’s] ability to prove its laches defense.”¹⁵³⁶

As a final basis for vacating the grant of the defendants’ motion for summary judgment, the Fourth Circuit concluded that the district court had erred by concluding that, to the extent that laches existed, it necessarily barred the plaintiff’s request for injunctive, as well as monetary, relief. On that issue, the appellate court noted that “laches *may* act as a bar to both monetary and injunctive relief under certain circumstances, but . . . this result is not automatic.”¹⁵³⁷ To the contrary, it held, whether laches renders injunctive relief unavailable properly should turn on an examination of the following factors:

- (1) delay during which the mark passed into use as a generic name,
- (2) a grossly long period of delay,
- (3) dubious proof of likelihood of confusion,
- (4) doubt as to the plaintiff’s title to the mark,
- (5) prior business dealings between the parties that result in the plaintiff impliedly consenting to the defendant’s infringement, and
- (6) the defendant’s good-faith development of a specific territorial area.¹⁵³⁸

The action therefore was remanded for consideration of this final issue as well.¹⁵³⁹

One federal district court similarly disinclined to resolve the laches inquiry as a matter of law noted of laches that “[a]s an equitable defense, . . . it is also highly fact intensive and not typically amenable to summary judgment.”¹⁵⁴⁰ It then put this

1534. *Id.* at 305.

1535. *See id.* at 306.

1536. *Id.* at 307.

1537. *Id.*

1538. *Id.* at 307-08 (quoting *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 461 n.8 (4th Cir. 1996)).

1539. *See id.* at 308 (“If on remand the district court once again finds [the lead defendant] entitled to summary judgment on its affirmative defenses of laches, it must explicitly address the availability, or lack thereof, of prospective injunctive relief.”).

1540. *Gucci Am., Inc. v. Guess?, Inc.*, 843 F. Supp. 2d 412, 420 (S.D.N.Y. 2012).

observation into action and denied a defense motion for summary judgment based on an alleged seven-year delay by the plaintiff in filing suit against the defendant. Viewed in a light most favorable to the plaintiff, the summary judgment record supported “the inference that the [plaintiff’s in-house] attorneys [with alleged knowledge of the defendant’s conduct] to whom [the defendant] refers . . . were in fact employees of [the plaintiff’s] European affiliates that [sic] were not involved with trademark enforcement matters for [the plaintiff] in America.”¹⁵⁴¹ Moreover, the plaintiff’s outside trademark counsel during the period of inaction testified that he had never provided any advice to the plaintiff regarding the defendant.¹⁵⁴² The court therefore held that “[a]s the laches inquiry is critically dependent on the issue of what the senior user knew of the junior user’s allegedly infringing activity, and when it gained such knowledge, summary judgment based on laches is denied.”¹⁵⁴³

A substantively identical analysis led to a substantively identical disposition of another defense motion for summary judgment.¹⁵⁴⁴ The defendants’ claim of laches was based on the plaintiff’s constructive, rather than actual, knowledge of the defendants’ use, which led the court to set a high bar when evaluating the defendants’ claim that they were entitled to judgment as a matter of law:

[W]here, on summary judgment, constructive notice is claimed by a party that would bear the burden of persuasion at trial, the initial burden of proof essentially imposes an inconceivability standard. To meet its initial burden of production, [the defendants] must show that, based on [their] evidence (treated as though it is uncontested), no reasonable juror could find that [the plaintiff] did not know about [the defendants’] use of the [allegedly infringing] mark. In other words, it must be “inconceivable” that [the plaintiff] could have remained in the dark as to the alleged infringement.¹⁵⁴⁵

The defendants advanced two showings to satisfy this burden, but both were found wanting. They were: (1) contested testimony that representatives of the parties had encountered each other at trade

1541. *Id.* at 427; *see also id.* (“[T]he plaintiff’s legal coordinator during the relevant period[] testified that that she never spoke with [one of the referenced in-house attorneys] about trademark matters, and that [the in-house attorney] had nothing to do with [the plaintiff’s] American operations.”).

1542. *See id.*

1543. *Id.* at 427-28.

1544. *See Hornady Mfg. Co. v. Doubletap Ammunition, Inc.*, 835 F. Supp. 2d 1150 (D. Utah 2011).

1545. *Id.* at 1153-54.

shows while the defendants' representative was wearing a shirt bearing the disputed mark, which the court dismissed because "there is a dispute as to whether the contact occurred, how long it lasted, who it was with, etc.;"¹⁵⁴⁶ and (2) an alleged e-mail from the plaintiff's principal to the defendants about an unrelated trademark matter, which the defendants claimed to have received through their branded website, but which the court concluded was unaccompanied by proof of "who made the contact, how much examination of [the defendants'] website that person performed, or what protocol that person may have been following that may or may not have led to the discovery of the [allegedly infringing] mark."¹⁵⁴⁷

One determination that a defendant was not entitled to the affirmative defense of laches came after a bench trial.¹⁵⁴⁸ The court did not identify the length of the plaintiffs' delay in bringing suit with any precision, but evidence presented during a bench trial established that the Ontario-based defendant had steadily increased its annual United States sales from \$5,987 in Canadian dollars in 1992, to \$12,903,451.79 by the time the suit was filed fifteen years later.¹⁵⁴⁹ The defendant's increased presence in the United States was accompanied by changes to its mark that emphasized the portion to which the plaintiffs had the greatest objections, the filing of an application to register that mark, and the defendant's opening of a store in New York City. Under these circumstances, the plaintiffs had not delayed unreasonably in asserting their claims; rather, "[the plaintiffs] opposed [the defendant's] federal trademark application promptly after it was published for opposition, [and] filed this lawsuit less than three months after [the defendant] opened its New York City concept store."¹⁵⁵⁰ Moreover, the court found, "it is clear that defendant suffered no prejudice. Defendant knew of plaintiffs' trademarks from the outset, and continued using the name it chose . . . notwithstanding, and ever more intensively and provocatively. Whenever plaintiffs complained, defendant intensified its infringing conduct."¹⁵⁵¹

It is fairly common for courts evaluating the defense under federal law to use the statutes of limitation applicable to equivalent state law causes of action as benchmarks when determining whether plaintiffs have unreasonably delayed in

1546. *Id.* at 1154.

1547. *Id.* at 1155.

1548. *See* Gap Inc. v. G.A.P. Adventures Inc., 100 U.S.P.Q.2d 1417 (S.D.N.Y. 2011).

1549. *See id.* at 1420.

1550. *Id.* at 1432.

1551. *Id.*

bringing their claims, and this methodology worked to the plaintiff's benefit in a case lodged in the Northern District of Indiana.¹⁵⁵² Looking to the Indiana Deceptive Consumer Sales Act,¹⁵⁵³ the court noted both that that statute was subject to a two-year statute of limitations and that the plaintiff had filed suit one day short of the second anniversary of a demand letter it had sent to the defendants. As a consequence, the court held, "the delay is . . . presumptively reasonable."¹⁵⁵⁴

Despite these holdings, not all claims of laches met with disfavor.¹⁵⁵⁵ In one case in which the defense succeeded, the counterclaim plaintiffs sought a new trial on the ground that a jury instruction had improperly defined their delay as the period between their knowledge of the counterclaim defendant's infringing use and the time they filed suit.¹⁵⁵⁶ In rejecting the counterclaim plaintiffs' argument that the key date was the one on which the counterclaim defendant had received notice of the counterclaim plaintiffs' objections, the court framed the issue in the following manner:

The longer the period of delay, the more likely the allegedly infringing user has suffered undue prejudice. Therefore, the parameters imposed on the period of delay significantly impact the undue prejudice analysis. The period of delay begins when the mark owner knew or should have known of the infringing use. The point at which the period of delay ends depends upon the nature of the allegedly infringing use. Where an unlicensed user assumes additional investment risks that result in new use of the mark after the mark owner demands that the unlicensed user cease and desist, the relevant period of delay for the undue prejudice analysis of the laches defense is cut off upon receipt of the mark owner's demands. However, where the unlicensed user's use of the mark continues largely as it did before the mark owner's objection, the relevant period of delay for the undue prejudice analysis of the laches defense ends when the mark owner files suit against the unlicensed user.¹⁵⁵⁷

1552. See *Dwyer Instruments Inc. v. Sensocin Inc.*, 103 U.S.P.Q.2d 1444 (N.D. Ind. 2012).

1553. Ind. Code Ann. § 24-5-0.5-1 *et seq.* (West 2006).

1554. *Dwyer Instruments*, 103 U.S.P.Q.2d at 1459. Independent of the reasonableness of the plaintiff's delay, the court additionally rejected the defendants' claim of laches based on their inability to demonstrate prejudice arising from that delay. See *id.*

1555. See *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 431 (D.N.J. 2011) (declining to grant defendants' motion for summary judgment in light of failure to demonstrate reliance on plaintiff's alleged delay in bringing suit).

1556. *Abraham v. Alpha Chi Omega*, 816 F. Supp. 2d 357 (N.D. Tex. 2011).

1557. *Id.* at 360-61 (citations omitted).

Although the counterclaim defendant had begun sales from a website after receiving demand letters from the counterclaim plaintiff, the court found that the website's launch did not amount to a material change in his business.¹⁵⁵⁸ As a consequence, "the proper measure of the period of delay is from the time the [counterclaim plaintiffs] should have known of [the counterclaim defendant's] infringing use as determined by the jury, to the time they filed suit against him."¹⁵⁵⁹

Finally, one New York federal district court opened the door to the use by a group of defendants of an unusual type of evidence in support of their claim of prejudice arising from the plaintiff's delay in challenging their alleged infringement and likely dilution.¹⁵⁶⁰ In response to the plaintiff's allegations of post-sale confusion, the defendants commissioned an *Eveready* survey to measure the extent of any confusion at the point of sale. Although the distinction between the two contexts might ordinarily have led to the exclusion of the survey's results from evidence, those results suggested that respondents associated the test stimuli with the lead defendant more often they did with the plaintiff. From this, the court concluded that the results should be admitted as possible proof of the damage the defendants would suffer if they were forced to discontinue use of the challenged mark.¹⁵⁶¹

c. Acquiescence

Some courts concluded that factual disputes precluded the resolution of inquiries into plaintiffs' alleged acquiescence as a matter of law.¹⁵⁶² One was the Eleventh Circuit, which offered the following summary of the prerequisites for the affirmative defense of acquiescence:

Acquiescence is a statutory defense under [Section 33(b)(9)]. The defense of acquiescence requires proof of three elements: (1) the plaintiff actively represented that it would not assert a right or 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. The difference between acquiescence and laches is that laches denotes passive consent and acquiescence denotes active consent. . . .

1558. *See id.* at 362-63.

1559. *Id.* at 363.

1560. *See Gucci Am., Inc. v. Guess?, Inc.*, 831 F. Supp. 2d 723 (S.D.N.Y. 2011).

1561. *See id.* at 748.

1562. *See Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 431 (D.N.J. 2011) (declining to grant defendants' motion for summary judgment in light of failure to demonstrate reliance on plaintiff's alleged delay in bringing suit).

“Active consent” does not necessarily mean an explicit promise not to sue. It only requires conduct on the plaintiff’s part that amounted to an assurance, express or implied, that [the] plaintiff would not assert his trademark rights against the defendant.¹⁵⁶³

A Second Circuit district court proved equally unsympathetic to a claim of acquiescence in a conventional infringement dispute, and there were two reasons why it rejected the defendants’ invocation of the affirmative defense after a bench trial.¹⁵⁶⁴ First, because the defendants had been found liable for intentional infringement, they were not in a position to request the protection of equity.¹⁵⁶⁵ Second, the defendants had failed to demonstrate the required prejudice arising from the plaintiff’s delayed assertion of its rights. As to the latter issue, the court held that “equity requires that the prejudice be substantial before these defenses can prevail. While Defendants have suffered substantial evidentiary prejudice with respect to some of the allegedly infringing marks, the evidence shows that it will not be difficult for them to stop using any of them.”¹⁵⁶⁶

d. Estoppel

Although the affirmative defense of estoppel is closely related to that of acquiescence, the test for it is slightly different:

(1) The party to be estopped must know the facts; (2) he must intend that his conduct shall be acted on or must so act that the party asserting the estoppel has a right to believe it is so intended; (3) the latter must be ignorant of the true facts; and (4) he must rely on the former’s conduct to his injury.¹⁵⁶⁷

The sole reported opinion to address a claim of estoppel originated in a dispute between a collective association and one of its former members, which had chosen not to renew its membership but nevertheless had continued to use the collective association’s federally registered marks.¹⁵⁶⁸ The basis of the defendant’s claim of estoppel was that, in an exchange of e-mail correspondence prior to the suit being filed, one of the defendants inaccurately represented that they had rejoined the collective,

1563. Univ. of Ala. Bd. of Trustees v. New Life Art, Inc., 683 F.3d 1266, 1281-82 (11th Cir. 2012) (internal quotation marks omitted).

1564. See Gucci Am., Inc. v. Guess?, 868 F. Supp. 2d 207 (S.D.N.Y. 2012).

1565. See *id.* at 256 (“[E]quity will not give relief to an intentional infringer.”).

1566. *Id.*

1567. Nat’l Ass’n of Realtors v. Champions Real Estate Servs. Inc., 812 F. Supp. 2d 1251, 1262 (W.D. Wash. 2011) (quoting *In re Gebhart*, 621 F.3d 1206, 1212 (9th Cir. 2010)).

1568. See *id.* at 1255-57.

leading one of the collective's representatives to respond that "[w]e are happy to have you as members. . . . [W]e will adjust our records to reflect that."¹⁵⁶⁹ The defendants rather brazenly claimed that the response induced them to continue to use the marks, but the court concluded on the collective's motion for summary judgment that "Defendants have not presented evidence demonstrating a genuine dispute of material fact as to any of [the four] elements."¹⁵⁷⁰ Specifically: (1) "[t]here is no evidence that [the collective association's representative] knew whether or not Defendants had paid their membership dues"; (2) there was no evidence of the collective's intent; (3) the defendants were aware of the actual facts; and (4) "there is no evidence that Defendants relied on [the] e-mail."¹⁵⁷¹

D. Remedies

1. Injunctive Relief

In recent years, the availability of injunctive relief under federal law has increasingly turned on the Supreme Court's decisions in *eBay Inc. v. MercExchange, L.L.C.*¹⁵⁷² and *Winter v. Natural Resources Defense Council*.¹⁵⁷³ As the *eBay* Court held in the context of a request for a permanent injunction against a defendant found liable for utility patent infringement, injunctive relief may be available if the prevailing party can prove that: (1) it has suffered or is suffering an irreparable injury; (2) the legal remedies available to it, e.g., an award of its actual damages, are inadequate; (3) the balance of hardships weighs in its favor; and (4) the public interest would not be disserved by an injunction.¹⁵⁷⁴ Courts hearing unfair competition causes of action paid varying degrees of attention to these factors over the past year.

a. Preliminary Injunctions

(1) Prevailing Parties' Entitlement to Preliminary Injunctive Relief

The nature of irreparable harm necessary to support a preliminary injunction and how to prove that harm produced widely differing approaches among courts entertaining motions for interlocutory relief. Some courts simply continued to apply the

1569. *Quoted in id.* at 1262 (second and third alterations in original).

1570. *Id.*

1571. *Id.* at 1262-63.

1572. 547 U.S. 388 (2006).

1573. 555 U.S. 7 (2008).

1574. *eBay*, 547 U.S. at 391.

traditional presumption that a movant's demonstration of likely confusion or false advertising also established irreparable harm as a matter of law.¹⁵⁷⁵ For example, one explained that without reference to either *eBay* or *Winter* that "once the plaintiff establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief is not granted."¹⁵⁷⁶ Another curiously cited to *eBay* but then observed in cursory fashion that "[the plaintiffs] [have] suffered an irreparable injury because consumers are likely to be confused initially or deceived as to a connection or affiliation between [the parties]."¹⁵⁷⁷

Other courts went so far as to hold that *eBay* was inapplicable in trademark cases.¹⁵⁷⁸ One adopting this view explained:

eBay is distinguishable on several grounds. First, it involved a permanent, rather than preliminary, injunction. A preliminary injunction preserves the status quo at an early and incomplete stage of the litigation in anticipation of a decision on the merits. Second, there are distinctions between copyright and patent infringement actions, where monetary damages are often central, and trademark infringement, where confusion may have long-lasting effects. Third, several district courts in the Fourth Circuit continue to recognize the presumption in trademark cases after *eBay*, although often without citing the opinion. . . .

1575. See, e.g., *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934, 949 (E.D. Wis. 2012) ("It is well settled that injuries arising from Lanham Act violations are presumed to be irreparable, even if the plaintiff fails to demonstrate a business loss. This presumption, it appears, is based upon the judgment that it is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill, caused by such violations." (citation omitted)); *Bel Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208, 221 (S.D.N.Y. 2011) ("In a Lanham Act case, demonstrating that the unauthorized use of a trademark is likely to cause confusion is generally sufficient to show the irreparable injury necessary to obtain injunctive relief."); *Estate of Ellington v. Harbrew Imps.*, 812 F. Supp. 2d 186, 196 (E.D.N.Y. 2011) ("[P]roof of likelihood of confusion establishes both likelihood of success on the merits and irreparable harm."); *Victory Lane Quick Oil Change, Inc. v. Darwich*, 799 F. Supp. 2d 730, 736 (E.D. Mich. 2011) ("In a trademark infringement case, a 'finding of irreparable injury ordinarily follows when a likelihood of confusion or possible risk to reputation appears.'" (quoting *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595, 608 (6th Cir. 1991) (internal quotation marks omitted)); *Hanley-Wood LLC v. Hanley Wood LLC*, 783 F. Supp. 2d 147, 151 (D.D.C. 2011) ("Generally, trademark infringement, by its very nature, carries a presumption of harm.").

1576. *Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013, 1032 (C.D. Cal. 2011).

1577. *Gap Inc. v. G.A.P. Adventures Inc.*, 100 U.S.P.Q.2d 1417, 1433 (S.D.N.Y. 2011).

1578. See, e.g., *Basis Int'l Ltd. v. Research in Motion Ltd.*, 827 F. Supp. 2d 1302, 1310 n.5 (D.N.M. 2011) ("I agree with [the plaintiff] that [*eBay*] does not change the analysis here. Unlike patent cases, trademark cases involve intangibles like the trademark owner's reputation and goodwill.").

At this stage and in the absence of any indication from the Fourth Circuit to the contrary, the court will not discard the commonly-applied presumption of irreparable harm in preliminary injunction proceedings involving a trademark infringement claim. As [the plaintiffs] [have] forecast a likelihood of confusion, the presumption applies.¹⁵⁷⁹

In contrast, some post-*eBay* and post-*Winter* courts questioned the continued viability of the presumption of irreparable harm.¹⁵⁸⁰ One district court put the issue bluntly:

[The plaintiff] relies on the presumption of irreparable harm upon a finding of likelihood of success on the merits. However, under *Winter*, [the plaintiff] is required to demonstrate by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential. The presumption of irreparable harm is no longer applicable.¹⁵⁸¹

Some Second Circuit trial courts reached the same conclusion concerning the continued availability of the presumption, albeit in opinions that found the decision of their reviewing court in *Salinger v. Colting*,¹⁵⁸² rather than *eBay* and *Winter*, to be more relevant to the issue.¹⁵⁸³ For example, one New York federal district court held that:

In [*Salinger*], the Second Circuit clarified that “courts must not simply presume irreparable harm. Rather, plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm.” Though the Second Circuit in *Salinger* specifically addressed a preliminary injunction in a copyright dispute, it stated that “unless Congress intended a ‘major departure from the long tradition of equity practice,’ a court deciding whether to issue an injunction must not adopt ‘categorical’ or ‘general’ rules or presume that a party has met an element of the injunction standard.” Courts in the Second Circuit have interpreted this language to mean that a presumption of irreparable injury is

1579. *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 579-80 (M.D.N.C. 2011) (citations omitted) (footnote omitted).

1580. *See, e.g., Chrysler Grp. v. Moda Grp.*, 796 F. Supp. 2d 866, 871 (E.D. Mich. 2011) (“There is no presumption of irreparable harm.”).

1581. *Groupon, LLC v. Groupon, Inc.*, 826 F. Supp. 2d 1156, 1161-62 (N.D. Cal. 2011) (citations omitted).

1582. 607 F.3d 68 (2d Cir. 2010).

1583. *See, e.g., Ascentive, LLC v. Opinion Corp.*, 842 F. Supp. 2d 450, 459 (E.D.N.Y. 2011) (“Although prior to *Salinger*, courts in this circuit presumed irreparable injury in trademark cases where a likelihood of confusion was shown, post-*Salinger*, this presumption is no longer applicable.”).

no longer appropriate in a trademark case where plaintiff can establish a likelihood of confusion.¹⁵⁸⁴

Likewise, a different New York federal district court concluded that “[a]pplying *Salinger* to trademark actions means that plaintiffs are no longer entitled to a presumption of irreparable injury.”¹⁵⁸⁵ The court then looked to whether the plaintiffs had made the required showing independent of the presumption and concluded that they had, in the process relying upon language apparently every bit as boilerplate in nature as the original presumption:

Here, plaintiffs have established a solid reputation and garnered substantial goodwill among its customers through its extensive marketing and advertising campaigns, as well as through word of mouth recommendations from its dedicated consumers. Defendants, by employing plaintiffs’ trademark, have attempted to directly profit from the goodwill and reputation that plaintiffs have cultivated for their product. Due to the high likelihood of confusion—and instances of actual confusion—between defendants’ and plaintiffs’ products, plaintiffs’ reputation and goodwill will be substantially damaged without the issuance of a preliminary injunction. Furthermore, the damage to plaintiffs’ goodwill and reputation cannot be quantified, as it is unknown how many potential customers plaintiffs will lose from their loss of reputation and goodwill due to consumers confusing their products with defendants’ products. Therefore, remedies at law are not adequate to compensate plaintiffs for their injuries.¹⁵⁸⁶

The same court also rejected the ongoing viability of the presumption where the plaintiffs’ false advertising claims were concerned.¹⁵⁸⁷ As to those claims, the court held that “[t]o demonstrate irreparable harm in a Lanham Act case, a party ‘must show two things: (i) that the parties are competitors in the relevant market, and (ii) that there is a logical causal connection between the alleged false advertising and its own sales

1584. *Grout Shield Distribs., LLC v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389, 402-03 (E.D.N.Y. 2011) (quoting *Salinger*, 607 F.3d at 77-78 & n.2, 82) (alteration in original) (citation omitted)).

1585. *See CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 156 (E.D.N.Y. 2011).

1586. *Id.* at 156 (citations omitted); *see also id.* at 161 (identifying substantively identical bases for finding of irreparable harm arising from defendants’ purchase of plaintiffs’ marks as keyword triggers for defendants’ online advertising).

1587. *See id.* at 149.

position.”¹⁵⁸⁸ The first of these requirements was easily satisfied based on the directly competitive relationship between the parties’ products, and that relationship for all practical purposes led to the satisfaction of the second: “There is . . . a logical causal connection between the advertising here and defendants’ sales position. . . . [D]efendants’ false advertising is clearly an attempt to usurp the brand recognition built by plaintiffs over many years through considerable effort and a multi-million dollar marketing campaign.”¹⁵⁸⁹

Surveying the landscape in the Ninth Circuit and elsewhere, an Oregon federal district court was equally unapologetic in jettisoning the presumption, concluding that “[i]t is now clear that *eBay* signifies a return to traditional equitable principles, under which presumptions of harm are not allowed.”¹⁵⁹⁰ Citing in particular to a Ninth Circuit opinion in a copyright-related appeal issued on the same day as oral argument on the plaintiff’s motion for a preliminary injunction,¹⁵⁹¹ the court noted that the appellate court had “swept away any doubt that *eBay* has broad implications—finding that it applies equally to preliminary and permanent injunctions, and is not limited to the context of patent infringement cases.”¹⁵⁹² With the presumption off the table, the plaintiff’s independent factual showing of irreparable harm, which consisted of declaration testimony that the defendant’s literally false advertising would cost the plaintiff sales, was insufficient. According to the court, “[e]ven if the false statements had a tendency to deceive, it is unclear whether the consumer was diverted from [the plaintiff] or another manufacturer of [the goods sold by the parties].”¹⁵⁹³

Other district courts hedged their bets by citing favorably to the presumption of irreparable harm and also finding as a factual matter that irreparable harm existed.¹⁵⁹⁴ For example, one California federal district court invoked then-extant Ninth Circuit authority to hold that:

1588. *Id.* (quoting *Zeneca Inc. v. Eli Lilly & Co.*, No. 99 Civ. 1452(JGK), 1999 WL 509471, at *36 (S.D.N.Y. July 19, 1999) (citations omitted) (internal quotation marks omitted)).

1589. *Id.*

1590. *Leatherman Tool Grp. v. Coast Cutlery Co.*, 823 F. Supp. 2d 1150, 1157 (D. Or. 2011).

1591. *See Flexible Lifeline Sys. v. Precision Lift, Inc.*, 654 F.3d 989 (9th Cir. 2011).

1592. *Leatherman Tool Grp.*, 823 F. Supp. 2d at 1157.

1593. *Id.* at 1158.

1594. *See, e.g., Suzuki Motor Corp. v. Jiujiang Hison Motor Boat Mfg. Co.*, 102 U.S.P.Q.2d 1555, 1559 (S.D. Fla. 2012) (invoking presumption but also finding that risk to plaintiffs’ reputation and possibility of plaintiffs being targeted by product-liability lawsuits constituted irreparable harm).

Having found that Plaintiff has demonstrated a likelihood of success on the merits, under current Ninth Circuit law, the Court is permitted to presume irreparable harm. But even without that presumption, given that Defendants are engaging in the unauthorized use of [Plaintiff's] marks, the Court finds that unless Plaintiff is allowed to protect its marks, its ability to control its reputation and goodwill associated with the marks will be significantly reduced.¹⁵⁹⁵

A similar belts-and-suspenders approach was applied by a Tenth Circuit federal district court.¹⁵⁹⁶ For example, in a case in which the plaintiff was a much smaller entity than the defendants, the court found that “given the size of the defendant[s] ongoing marketing campaign, the plaintiff faces a serious threat of being displaced in the market”¹⁵⁹⁷ Beyond this, “the plaintiff has presented credible evidence of injury to its good will, in the form of injury to its reputation from aggrieved but confused customers of the defendants.”¹⁵⁹⁸ Finally, and for good measure, “infringement of a trademark by its nature contributes to irreparable injury to its owner.”¹⁵⁹⁹

Similar methodology appeared in opinions entering preliminary injunctions against advertising found to be false.¹⁶⁰⁰ For example, after noting that the Second Circuit had applied a presumption of irreparable harm on a post-*eBay* basis,¹⁶⁰¹ a federal district court from that jurisdiction quoted authority from its reviewing court to hold that:

[T]he likelihood of irreparable harm may be presumed where the plaintiff demonstrates a likelihood of success in showing that the defendant’s comparative advertisement is literally false and that given the nature of the market, it would be obvious to the viewing audience that the advertisement is targeted at the plaintiff, even though the plaintiff is not identified by name.¹⁶⁰²

1595. *Wetzel’s Pretzels, LLC v. Johnson*, 797 F. Supp. 2d 1020, 1028 (C.D. Cal. 2011).

1596. *See Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC*, 861 F. Supp. 2d 1293 (D. Kan.), *aff’d*, No. 12-3084, 2012 WL 5935970 (10th Cir. Nov. 28, 2012).

1597. *Id.* at 1306.

1598. *Id.*

1599. *Id.*

1600. *See, e.g., Bel Canto Design, Ltd. v. MSS HiFi*, 813 F. Supp. 2d 1119, 1125 (D. Minn. 2011) (“Based on defendants’ false representations and false claims, the court finds that [the plaintiff] has demonstrated that it is likely to suffer irreparable harm to its goodwill without equitable relief. Moreover, harm is presumed when misrepresentations have a tendency to deceive under § 43 of the Lanham Act.”).

1601. *See Church & Dwight Co. v. Clorox Co.*, 840 F. Supp. 2d 717, 723 (S.D.N.Y. 2012).

1602. *See id.* (quoting *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 148 (2d Cir. 2007)).

Nevertheless, the court followed up on this observation by concluding that “legal presumptions aside, [the plaintiff] has proved a likelihood of irreparable harm on the facts of this case.”¹⁶⁰³

Still another Second Circuit district court acknowledged the plaintiff’s invocation of the pre-*Salinger* presumption of irreparable harm en route to granting a preliminary injunction motion against a defendant accused of violating the ACPA by registering two domain names corresponding to the plaintiff’s personal name.¹⁶⁰⁴ Nevertheless, the court’s finding that the plaintiff was entitled to interlocutory relief was similarly grounded in the factual record:

The Court is satisfied that allowing the defendant to continue operation of the Domain Names would produce an actual injury that would not be remediable after trial. Though the Web sites do not currently display content that might be deemed offensive or damaging to the plaintiff, the parties made clear to the Court during oral argument that the parties’ relationship is, at the very least, contentious, and there is undoubtedly the potential for harm in the imminent future. Additionally, the mere fact that both Domain Names are spelled only with the plaintiff’s name weighs quite heavily in favor of the plaintiff here; any time the plaintiff meets a new person, that person—or, for that matter, anyone the plaintiff already knows—will be just clicks away from visiting one of the sites run by the defendant.¹⁶⁰⁵

Some courts simply dodged the issue of the presumption’s continued viability. This included a Connecticut district court hearing a case brought by a mulch manufacturer against its former distributor.¹⁶⁰⁶ The defendant not only had registered the plaintiff’s mark, it had recorded the registration with the U.S.

1603. *Id.*

Those facts included findings that research results proffered by the defendant failed to substantiate claims in its advertising that its carbon-based cat litter controlled odors more effectively than baking soda-based litter such as that sold by the plaintiff:

Put simply, [the defendant], cloaking itself in the authority of “a lab test,” made literally false claims going to the heart of one of the main reasons for purchasing cat litter. In such circumstances, where the misrepresentation is so plainly material on its face, no detailed study of consumer reactions is necessary to conclude inferentially that [the defendant] is likely to divert customers from [the plaintiff’s] products to its own unless the offending commercial is enjoined. Thus, [the plaintiff] has successfully shown a high likelihood of irreparable harm.

Id.

1604. *See Bogoni v. Gomez*, 847 F. Supp. 2d 519, 526 (S.D.N.Y. 2012).

1605. *Id.* at 527.

1606. *See Country Fare LLC v. Lucerne Farms*, 102 U.S.P.Q.2d 1311 (D. Conn. 2011).

Customs Service, which resulted in the interdiction of the plaintiff's goods at the United States-Canada border. The court identified several reasons why it was "unnecessary to conclude whether the Second Circuit's opinion in *Salinger* extends to trademark-related disputes,"¹⁶⁰⁷ including that the branded mulch in question made up 90 percent of the plaintiff's annual sales and that the seasonal nature of mulch purchases meant that a failure by the plaintiff to fulfill orders "will result in damage to [the plaintiff's] goodwill with and erosion of its existing customers and frustrate its efforts to secure new customers."¹⁶⁰⁸ Preliminary injunctive relief therefore was appropriate on the ground that "customers of [the plaintiff] would likely purchase mulch from another vendor rather than risk non-delivery and the narrow window of sales opportunities in the future."¹⁶⁰⁹

The First Circuit took much the same approach.¹⁶¹⁰ As it had done in the past,¹⁶¹¹ that court strongly suggested that *eBay* in particular had overruled its prior authority recognizing a presumption of irreparable harm.¹⁶¹² At the same time, however, the court held that "[w]e need not decide here whether *eBay* precludes a presumption of irreparable harm because [the counterclaim plaintiff] has demonstrated enough irreparable harm that the district court did not abuse its discretion in granting the preliminary injunction."¹⁶¹³ That demonstration consisted of showings that "[the counterclaim defendant's] continuing infringing use of the [disputed] trademark has impaired [the counterclaim plaintiffs] marketing of its own . . . products and services."¹⁶¹⁴ Moreover, "[the counterclaim plaintiff] alleges that [the counterclaim defendant] has interfered with the [the counterclaim plaintiffs] use of the mark by continuing to represent to third parties that he owns the trademark";¹⁶¹⁵ those representations extended to attempts to bill the counterclaim plaintiff's contractual partners for their use of the mark.¹⁶¹⁶

1607. *Id.* at 1314.

1608. *Id.* at 1315.

1609. *Id.* at 1316.

1610. *See Mercado-Salinas v. Bart Enters. Int'l, Ltd.*, 671 F.3d 12, 19 n.7 (1st Cir. 2011).

1611. *See Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 31 (1st Cir. 2011) (questioning, in dictum, ongoing viability of presumption of irreparable harm).

1612. *See Mercado-Salinas*, 671 F.3d at 19 n.7.

1613. *Id.*

1614. *Id.* at 23.

1615. *Id.*

1616. *See id.*

Of course, even if a plaintiff might otherwise be able to demonstrate irreparable harm as a factual matter, an unreasonable delay in pursuing injunctive relief can be a fatal countervailing consideration.¹⁶¹⁷ In one case proving this point, the plaintiff became aware of the defendant's use in November 2009 but then waited until February 2010 to send a cease-and-desist letter.¹⁶¹⁸ After negotiations between the parties broke down in February 2011, the plaintiff, slow to anger, took until July 22, 2011 to file its complaint and preliminary injunction papers. The lag time proved too much for the court to excuse: "Under these circumstances, plaintiff's delay in bringing its preliminary injunction motion was unreasonable and undercut plaintiff's argument that its injury was actual and irreparable."¹⁶¹⁹

In contrast, a six-month delay in filing suit proved to be no obstacle to a pair of different plaintiffs.¹⁶²⁰ The preliminary injunction record demonstrated that the plaintiffs had spent much of that period corresponding with the defendant and that the defendant had not always responded in a timely fashion to the plaintiffs' attempts to resolve the matter short of litigation. The court held that there had not been such an "unduly protracted" delay as to defeat the plaintiffs' showing of irreparable harm.¹⁶²¹ Rather, "[t]he delay, if any, was in [the defendant's] failure to respond promptly. The law encourages conciliation efforts to avoid the expense and time of litigation, and Plaintiffs' delay is not unreasonable on the facts of this case."¹⁶²² Likewise, another plaintiff managed to finesse its way around an approximately five-month delay between its discovery of allegedly false advertising by the defendant and its pursuit of interlocutory relief.¹⁶²³ The plaintiff wrote a cease-and-desist letter to the defendant a full two and a half months into that period and then took no action when the defendant failed to answer by the response deadline set by the letter. When the defendant finally did respond, the plaintiff waited an additional twenty days before pursuing the matter further and then filed suit "nearly a month" after that.¹⁶²⁴ Although the court

1617. *See, e.g.*, *Groupion, LLC v. Groupon, Inc.*, 826 F. Supp. 2d 1156, 1167 (N.D. Cal. 2011) (concluding, based on delay of unspecified length, that "[the plaintiffs] delay in moving for an injunction undermines the need for a preliminary injunction").

1618. *See Grout Shield Distribs., Inc. v. Elio E. Salvo, Inc.*, 824 F. Supp. 2d 389 (E.D.N.Y. 2011).

1619. *Id.* at 403.

1620. *See Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558 (M.D.N.C. 2011).

1621. *Id.* at 580.

1622. *Id.*

1623. *See N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934 (E.D. Wis. 2012).

1624. *Id.* at 949.

acknowledged that the plaintiff's delay "undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief,"¹⁶²⁵ it also held that "mere evidence of delay without any explanation on [the defendant's] part of why such a delay negatively affected it, would not lessen [the plaintiff's] claim of irreparable injury."¹⁶²⁶

Finally, inquiries into the public's interest in the possible entry of interlocutory relief rarely result in the denial of it, but that disposition rather improbably occurred in a case arising from a restaurant franchise relationship gone bad.¹⁶²⁷ The parties' dispute had resulted in the scheduling of a hearing on the plaintiff's motion for a preliminary injunction when the plaintiff returned to court seeking a temporary restraining order and an immediate hearing. The basis of the plaintiff's second set of papers was the allegation that its former franchisees had begun using unauthorized ingredients in their hamburgers, which the plaintiff maintained rose to the level of health hazards. Those ingredients, however, consisted of "thicker meat and . . . differently shaped and colored cheese,"¹⁶²⁸ which led the court to conclude of the plaintiff's claimed health hazards that:

[The plaintiff] did **not** allege that the unauthorized food was tainted, rancid, or spoiled, not did it allege that the items caused food poisoning or other ailments. It did not allege that employees working in the restaurants involved in the now-terminated franchises were engaged in unsanitary practices, are ill or are unqualified to work in the food service business.¹⁶²⁹

The court therefore denied the plaintiff's request for an immediate hearing on the ground that "[the plaintiff] has not demonstrated why any relief provided by the Court at or shortly after the [scheduled preliminary injunction] hearing would not be adequate to address its business-related, intellectual property concerns."¹⁶³⁰

(2) Terms of Preliminary Injunctive Relief

Having proven its entitlement to a preliminary injunction, a plaintiff obviously must justify the terms of the relief it has requested. On this issue, the heyday of injunctions requiring defendants to engage in corrective advertising may have passed,

1625. *Id.* (quoting *Citibanc, N.A. v. Citytrust*, 756 F.2d 273, 277 (2d Cir. 1985)).

1626. *Id.*

1627. *See* *Burger King Corp. v. Duckrey*, 851 F. Supp. 2d 1325 (S.D. Fla. 2011).

1628. *Id.* at 1326.

1629. *Id.*

1630. *Id.* at 1828.

but one plaintiff convinced a court to order that remedy after finding that the defendant had falsely called into question the safety of the plaintiff's snowplows.¹⁶³¹ According to the court, "given the saliency of the safety-related message represented by [the defendant's] advertising campaign and the misleading nature of that campaign, corrective advertising becomes a key component of preliminary injunctive relief and will serve the public interest."¹⁶³² Rather than mandating the advertising on the spot, however, the court deferred a resolution of the issue to allow the parties an opportunity to draft mutually acceptable terms.¹⁶³³

In contrast, another bid for a preliminary injunction requiring the defendants to place affirmative disclaimers of affiliation with the plaintiff on their website failed to make the grade.¹⁶³⁴ One of the allegations by the plaintiff against the defendants was that the defendants had falsely presented themselves as affiliates of the plaintiff. The court agreed with the plaintiff that the plaintiff was entitled to "an injunction prohibiting Defendants from making further false claims of endorsement."¹⁶³⁵ Nevertheless, applying an odd conception of when the status quo might or might not be changed by the entry of injunctive relief, it also held that "[t]he mandatory injunction that [the Plaintiff] seeks would alter, rather than maintain, the status quo."¹⁶³⁶ The plaintiff therefore was not entitled to "extreme remedy of requiring Defendants affirmatively to disclaim affiliation with [the Plaintiff]."¹⁶³⁷

b. Permanent Injunctions

(1) Prevailing Parties' Entitlement to Permanent Injunctive Relief

Just as it is in the preliminary injunction context, a showing of irreparable harm sufficient to support a request for permanent injunctive relief often can be easily made, at least in front of some courts.¹⁶³⁸ One explained that "irreparable injury may be inferred 'when there is a likelihood of confusion or possible risk to [the

1631. See *N. Star Indus. v. Douglas Dynamics LLC*, 848 F. Supp. 2d 934 (E.D. Wis. 2012).

1632. *Id.* at 951.

1633. See *id.* at 951-52.

1634. See *Bel Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208 (S.D.N.Y. 2011).

1635. *Id.* at 221.

1636. *Id.*

1637. *Id.* at 222.

1638. See, e.g., *CommScope, Inc. of N.C. v. Commscope (U.S.A.) Int'l Grp.*, 809 F. Supp. 2d 33, 40-41 (N.D.N.Y. 2011) (holding, in entry of default judgment, that "[a]ccepting Plaintiff's allegation as true, the Court finds that Plaintiff has alleged likelihood of confusion and thus also established irreparable injury").

plaintiffs] reputation.”¹⁶³⁹ Another similarly held that “[i]n trademark cases, irreparable injury is established where ‘there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused’”¹⁶⁴⁰

In contrast, some courts concluded that *eBay* and *Winter* trumped whatever prior inconsistent case law may have been extant in their jurisdictions.¹⁶⁴¹ Thus, for example, one Second Circuit district court cited to *Salinger v. Colting*¹⁶⁴² and held that:

Prior to *Salinger*, which eliminated an analogous presumption in the context of copyright claims, it was less clear whether *eBay*’s elimination of the presumption of irreparable harm applied to trademark infringement actions. In light of *Salinger*’s clarification that “*eBay*’s central lesson is that, unless Congress intended a ‘major departure from the long tradition of equity practice,’ a court deciding whether to issue an injunction must not adopt ‘categorical’ or ‘general’ rules or presume that a party has met an element of the injunction standard,” the presumption of irreparable injury in trademark cases is no longer appropriate.¹⁶⁴³

Nevertheless, the court then found as a factual matter that the counterclaim plaintiffs had proven irreparable injury arising from the loss of control over their reputations.¹⁶⁴⁴

1639. *Lorillard Tobacco Co. v. Hamden Inc.*, 102 U.S.P.Q.2d 1703, 1709 (N.D. Ohio 2011) (alteration in original) (quoting *Wynn Oil Co. v. Am. Serv. Corp.*, 943 F.2d 595, 608 (6th Cir. 1991); see also *id.* (“Because this Court has found that customers are likely to confuse the counterfeit cigarettes with the [plaintiffs] authentic . . . cigarettes, the Court holds that [the plaintiff] has proved irreparable injury in its request for injunctive relief.”).

1640. *Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc.*, 817 F. Supp. 2d 66, 74 (E.D.N.Y. 2011) (alteration in original) (quoting *Century 21 Real Estate LLC v. Bercosa Corp.*, 666 F. Supp. 2d 274, 295 (E.D.N.Y. 2009)).

1641. *Cf. City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087, 1113 (S.D. Cal. 2012) (applying four-part *eBay* test and apparently requiring factual showing of irreparable harm where plaintiffs’ trademark infringement and unfair competition claims were concerned but applying presumption of irreparable harm to plaintiffs’ copyright claims).

1642. 607 F.3d 68 (2d Cir. 2010).

1643. *United States Polo Ass’n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 540 (S.D.N.Y. 2011) (citation omitted) (footnote omitted) (quoting *Salinger*, 607 F.3d at 77-78 & n.7).

1644. As the court explained:

Irreparable harm exists in a trademark case when the party seeking the injunction shows that it will lose control over the reputation of its trademark because loss of control over one’s reputation is neither calculable nor precisely compensable.

Here, absent an injunction, given the likelihood of confusion between the [parties’ marks], the reputation and goodwill cultivated by [the counterclaim plaintiffs] would be out of [their] hands. The [counterclaim defendants’] product may or may not be of high quality, sold with sufficient care to customer service, or convey the same branding image that has been highly cultivated by [the counterclaim plaintiffs]. In

As in the preliminary injunction context, some courts tried to have it both ways. One was the Eighth Circuit, which emphasized the irreparable harm prerequisite for the entry of permanent injunctive relief in an opinion that mentioned neither *eBay* nor *Winter*.¹⁶⁴⁵ The occasion of this outcome was an action brought under Minnesota state law, but the district court hearing the case referred to interpretations of Section 43(a) by the Second Circuit to hold that its finding of literal falsity entitled the plaintiffs to a permanent injunction without the need for a showing of irreparable injury. The Eighth Circuit acknowledged that the authority cited by the district court stood for the “sound principle” that “when a competitor’s advertisement, particularly a comparative ad, is proved to be literally false, the court may presume that consumers were misled and grant an irreparably injured competitor injunctive relief without requiring consumer surveys or other evidence of the ad’s impact on the buying public.”¹⁶⁴⁶ Nevertheless, it held, “even when the principle applies in a Lanham Act dispute between competitors, the plaintiff ‘must show that it will suffer irreparable harm absent the injunction.’”¹⁶⁴⁷ Even to the extent that Minnesota and federal law could be considered coextensive,¹⁶⁴⁸ “[t]he district court erred in granting Plaintiffs a permanent injunction without proof of irreparable injury.”¹⁶⁴⁹

Courts finding the existence of irreparable harm without invoking the presumption typically did so by citing to plaintiffs’ loss of control over their reputations if infringement and unfair competition by defendants were permitted to continue. For example, without reference to the record, one court supported entry of a permanent injunction by determining that “[the plaintiff] is suffering several continuing injuries that would be

any event, the impression given to consumers by the [counterclaim defendant’s] product, and so the reputation and goodwill of the [counterclaim plaintiffs], will not be in [the counterclaim plaintiffs’] control. The Court therefore agrees that though the harm the [counterclaim plaintiffs] will suffer in terms of reputation and goodwill cannot be quantified, the [counterclaim plaintiffs] will be irreparably injured in the absence of a permanent injunction.

Id. at 540-41 (alteration in original omitted) (citations omitted) (internal quotation marks omitted).

1645. *See* Buetow v. A.L.S. Enters., 650 F.3d 1178 (8th Cir. 2011).

1646. *Id.* at 1183.

1647. *Id.* (quoting *McNeil-P.P.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir. 1991)).

1648. The court ultimately concluded that they were not. *See id.* (“[H]ere Plaintiffs are consumers, and only state law claims are asserted. Automatically equating the standards of these state statutory claims to the standards that apply to Lanham Act cases between commercial parties is wrong.”).

1649. *Id.*

difficult to remedy without future litigation, but the injury especially justifying injunctive relief is the loss of control over and harm to its valuable name and trademark, in which it has invested substantial effort and money over time to develop goodwill.”¹⁶⁵⁰

The same result held in a suit brought by a telecommunications provider against a defendant who had secured, activated without authorization, and then resold cell phones and SIM cards bearing the plaintiff’s marks.¹⁶⁵¹ In the absence of a permanent injunction, the court noted, “Defendant’s actions, if allowed to persist, will continue to cause [Plaintiff] to suffer harm to its business reputation and dilution of the [Plaintiff’s] marks as Defendant introduces more and more infringing products and services into the marketplace.”¹⁶⁵² Moreover, “Defendant could sell [Plaintiff’s] confidential and proprietary codes, SIM cards and Phones throughout the world, making it virtually impossible for [Plaintiff] to retrieve the infringing products, thereby causing [Plaintiff] further irreparable harm.”¹⁶⁵³ By the same token, “[w]hen these infringing products (which are advertised using [Plaintiff’s] trademarks) fail to meet the expectations of consumers, such as when they stop working, the consumers will devalue [Plaintiff’s] brand and products.”¹⁶⁵⁴ Finally, the defendant’s case was not helped by its earlier failure to comply with a preliminary injunction, of which the court remarked that “[a]bsent permanent injunctive relief, [Plaintiff] would be forced to repeatedly file suit any time Defendant infringes its trademark rights in the future.”¹⁶⁵⁵

Violations of a preliminary injunction also helped produce a finding of irreparable harm in a case in which the plaintiff terminated the lead defendant as a distributor, only to discover that the former distributor and her company were continuing to use the plaintiff’s marks.¹⁶⁵⁶ The defendants did not ingratiate themselves with the court for the additional reason that they defaulted in the action after communicating with the plaintiff’s counsel about it. These circumstances led the court to hold that:

[The lead defendant’s] action—and inaction—demonstrates her “refusal to acknowledge [her] legal obligations, makes the threat of continued infringement likely, and underscores the

1650. *Century 21 Real Estate LLC v. Destiny Real Estate Props. LLC*, 101 U.S.P.Q.2d 1423, 1429 (N.D. Ind. 2011).

1651. *See T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121 (W.D. Wash. 2012).

1652. *Id.* at 1133.

1653. *Id.*

1654. *Id.*

1655. *Id.*

1656. *See, e.g., Mary Kay Inc. v. Ayres*, 827 F. Supp. 2d 584 (D.S.C. 2011).

ineffectiveness of a remedy at law.” Additionally, [the defendants’] failure to appear has made it impossible for [the plaintiff] to present a claim for actual damages. Further, even if actual damages for prior actions could be established and awarded, those damages would not prevent future damage to [the plaintiff’s] good will and corporate reputation and would require speculation and guesswork.¹⁶⁵⁷

Of course, both before and after *eBay*, some defendants have been able to defeat the entry of permanent injunctive relief by demonstrating that they have discontinued the challenged conduct. This result held in an appeal to the Eleventh Circuit in which the defendants were accused of cybersquatting based on their registration of a series of domain names incorporating or consisting of references to the plaintiffs.¹⁶⁵⁸ After receiving a demand letter from the plaintiffs, the defendants instructed an outside contractor responsible for the registrations to take down websites associated with the domain names; two months later, the defendants surrendered the domain names back to the registrar from which they had been secured. The district court declined to enter injunctive relief, and the Eleventh Circuit held that that decision was not an abuse of discretion. As the appellate court explained, “even when voluntary cessation of unlawful conduct does not moot a claim (and there is no argument here that it did), a court has equitable discretion about whether to issue an injunction after the conduct has ceased.”¹⁶⁵⁹

(2) Terms of Permanent Injunctive Relief

Trial courts enjoy wide latitude when drafting the terms of a permanent injunction, and this flexibility was apparent in the Ninth Circuit’s affirmance of a geographically limited injunction entered against defendants found liable for false advertising as a matter of law.¹⁶⁶⁰ One grievance set forth in the plaintiff’s complaint was that the defendants had falsely represented that they operated skydiving centers when, in fact, they did not. Because the Arizona-based plaintiff’s proof was limited to a showing that the defendants did not operate centers in that particular state, the district court declined to enter a permanent injunction applicable in states other than Arizona. Holding that the injunction had been narrowly tailored to eliminate only the

1657. *Id.* at 596 (second alteration in original) (quoting *EMI April Music Inc. v. Rodriguez*, 691 F. Supp. 2d 632, 635 (M.D.N.C. 2010)).

1658. *See Pensacola Motor Sales Inc. v. E. Shore Toyota, LLC*, 684 F.3d 1211 (11th Cir. 2012).

1659. *Id.* at 1220.

1660. *See Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105 (9th Cir. 2012).

specific harm alleged, the appellate court concluded that the injunction's terms had not been an abuse of discretion.¹⁶⁶¹

In the false advertising context, the Ninth Circuit confirmed that “[c]ourts routinely grant permanent injunctions against deceptive advertising. Because false or misleading commercial statements aren’t constitutionally protected, such injunctions rarely raise First Amendment concerns.”¹⁶⁶² Nevertheless, it also held that the particular injunction in the case before it, which required the defendants to use a click-through “splash screen” on their website advising consumers that the site was a private for-profit one, rather than one operated by a government agency,¹⁶⁶³ was constitutionally overbroad. Although the district court may not have abused its discretion in concluding that the splash screen itself was “the optimal means of correcting [the] defendants’ false advertising,”¹⁶⁶⁴ the injunction was overbroad “because it erects a barrier to *all* content on the [defendants’] website, not merely that which is deceptive. Some of the website’s content is informational and thus fully protected”¹⁶⁶⁵ Moreover, because the injunction was a permanent one, it raised the risk of unconstitutionally burdening the defendants’ speech even after the “lingering confusion caused by [the] defendants’ past deception” had dissipated.¹⁶⁶⁶ The court therefore remanded the action with the instruction that “[i]f the district court continues to require the splash screen, it shall explain the continuing justification for burdening the website’s protected content and what conditions [the] defendants must satisfy in order to remove the splash screen in the future.”¹⁶⁶⁷ Alternatively, “or in addition, the court may permanently enjoin defendants from engaging in deceptive marketing or placing misleading statements on [their site].”¹⁶⁶⁸

In another Ninth Circuit appeal in which the propriety of the term of a permanent injunction was at issue, the district court

1661. *See id.* at 1116.

1662. *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 829-30 (9th Cir. 2011) (citations omitted).

1663. The appellate court offered the following description of the relief entered below:

By way of a remedy, the district court ordered [the defendants’ site] to present every . . . visitor with a splash screen stating “YOU ARE ABOUT TO ENTER A **PRIVATELY OWNED** WEBSITE THAT IS **NOT** OWNED OR OPERATED BY ANY STATE GOVERNMENT AGENCY.” Visitors can’t access [the site’s] content without clicking a “CONTINUE” button on the splash screen.

Id. at 829.

1664. *Id.*

1665. *Id.* at 830.

1666. *Id.*

1667. *Id.* at 831.

1668. *Id.*

found the defendants liable for cybersquatting and infringement as a matter of law and ordered the transfer of a group of disputed domain names to the plaintiff under the ACPA.¹⁶⁶⁹ On appeal, the Ninth Circuit reversed the finding of liability under the ACPA as to one of the domain names. Nevertheless, the appellate court also held that “[t]he district court found the [defendants] liable under [the Lanham Act and the ACPA], but appears to have granted relief based solely under [the] ACPA. . . . [I]t is possible that some relief with respect to [the single domain] may be appropriate based on the Lanham Act violation.”¹⁶⁷⁰ Precisely what type of relief might be appropriate, however, was left to the district court to decide in the first instance.¹⁶⁷¹

Finally, one opinion demonstrated that, although a trial court may have considerable discretion in crafting the terms of permanent injunctive relief, there is no guarantee that that discretion will be exercised solely in favor of a prevailing plaintiff, even one prevailing on a motion for a default judgment.¹⁶⁷² The court issuing that opinion entered a conventional injunction that barred the defendant’s use of its infringing mark and that also required the defendant “to remove the [salient portion of its corporate name] from the register of corporations maintained by the New York Department of State.”¹⁶⁷³ Nevertheless, the court refused to grant the plaintiff’s request for an order directing the New York Secretary of State to dissolve the defendant as a corporation if the defendant itself failed to take that step. The court explained its refusal with the observation that “injunctive relief may not ordinarily be issued against non-parties and Plaintiff ‘has not briefed the legal standards for issuing injunctions against non-parties, . . . or discussed how those standards would support the injunction requested here.’”¹⁶⁷⁴

c. Contempt

As one court explained, the movant for a finding of civil contempt bears a heavy burden:

“To establish contempt, a movant must establish that (1) the order the contemnor failed to comply with is clear and unambiguous, (2) the proof of noncompliance is clear and

1669. *See, e.g.*, *GoPets Ltd. v. Hise*, 657 F.3d 1024 (9th Cir 2011).

1670. *Id.* at 1035.

1671. *See id.*

1672. *See CommScope, Inc. of N.C. v. Commscope (U.S.A.) Int’l Grp.*, 809 F. Supp. 2d 33 (N.D.N.Y. 2011).

1673. *Id.* at 42.

1674. *Id.* at 42 (quoting *Pitbull Prods., Inc. v. Universal Netmedia, Inc.*, No. 07-CV-1784, 2007 WL 3287368, at *7 (S.D.N.Y. Nov. 7, 2007)).

convincing, and (3) the contemnor has not diligently attempted to comply in a reasonable manner.” The movant bears the burden of proving contempt by “clear and convincing” evidence.¹⁶⁷⁵

In a case in which this standard was applied, the plaintiff previously had prosecuted an action against what it believed to be a Nevada limited liability partnership and that entity’s principal; although settling with the individual defendant, the plaintiff secured a default judgment and a permanent injunction against the suspected partnership.¹⁶⁷⁶ When the plaintiff concluded that the individual defendant was engaged in conduct it considered inconsistent with the permanent injunction, it sought a finding of contempt on the theory that the individual defendant was bound by the injunction because the injunction applied to the other defendant and “its officers, directors, principals, servants, employees, successors and assigns, and all those in active concert or participation with it.”¹⁶⁷⁷

In response, the individual defendant argued, as he had earlier in the proceeding, that the partnership had never existed, even though the partnership was the record owner of a number of filings in the USPTO, and even though the individual defendant was identified as the partnership’s principal in many of them. The court was receptive, concluding that “the mere fact that a party states on a document, sworn under penalty of perjury, that an entity is an LLP in the state of Nevada does not result in the creation of an LLP in that state.”¹⁶⁷⁸ Moreover, the filings did not judicially estop the individual defendant from denying the partnership’s existence either.¹⁶⁷⁹ In the final analysis, the court held, “plaintiff has failed to establish, either with actual evidence or through judicial estoppel, that [the partnership] exists. As a result, [the individual defendant] cannot be subject to the prohibitions of the Injunction.”¹⁶⁸⁰

1675. *BeautyBank, Inc. v. Harvey Prince LLP*, 811 F. Supp. 2d 949 (S.D.N.Y. 2011) (quoting *Perez v. Danbury Hosp.*, 847 F.3d 419, 423 (2d Cir. 2003)) (internal quotation marks omitted).

1676. *See id.* at 951-53.

1677. *Quoted in id.* at 952.

1678. *Quoted in id.* at 956.

1679. *See id.* at 957-59.

1680. *Id.* at 959.

2. Monetary Relief

a. Actual Damages

(1) Plaintiffs' Entitlement to Actual Damages

Most courts addressing the issue of actual damages did so in the context of claims by plaintiffs that the defendants' conduct had resulted in lost sales by the plaintiffs. Those doing so generally dismissed plaintiffs' claims for actual damages in light of the plaintiffs' inability to demonstrate that the defendants' infringing conduct had resulted in actual consumer confusion or lost sales attributable to false advertising undertaken by defendants.¹⁶⁸¹ As one court citing this rule favorably opined, "to obtain monetary relief for damages stemming from trademark infringement, the owner of a trademark normally must prove 'actual confusion or deception resulting from the violation [of the Lanham Act].'"¹⁶⁸²

Nevertheless, one Second Circuit federal district court held that "[i]n the absence of such a showing [of actual confusion], the [trademark] owner may nonetheless obtain monetary relief by proving that the alleged infringer acted with an intent to deceive, because such an intent gives rise to a rebuttable presumption of actual confusion."¹⁶⁸³ The court further observed that "[w]hile an intent to copy is distinct from an intent to deceive, it nonetheless creates a presumption of an intent to deceive, unless there is evidence to the contrary."¹⁶⁸⁴ It then applied each of these rules to deny a defense motion for summary judgment targeting a request for an award of actual damages: Not only was there evidence of actual confusion in the form of results from a survey commissioned by the plaintiff, "[the plaintiff] has . . . produced substantial evidence from which a reasonable inference could be drawn that [the defendant] acted in bad faith by meticulously copying [the plaintiff's] trade dress in developing [its own], despite recognizing that consumers might confuse the two."¹⁶⁸⁵ The court went on to deny the defendant's motion for summary judgment as to another design sold by the defendant on the same basis.¹⁶⁸⁶

1681. *Cf. Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 832 (D. Minn. 2011) (excluding proffered expert witness testimony on ground that "[w]ith no evidence linking [the plaintiff's] lost sales to [the defendants'] allegedly false advertising, [the witness's] testimony regarding monetary damages is inadmissible.").

1682. *See, e.g., Gucci Am., Inc.*, 843 F. Supp. 2d 412, 419 (S.D.N.Y. 2012) (alteration in original) (quoting *Malletier v. Dooney & Bourke, Inc.*, 525 F. Supp. 2d 558, 646 (S.D.N.Y. 2007)).

1683. *Gucci Am.*, 843 F. Supp. 2d at 419.

1684. *Id.*

1685. *Id.* at 422.

1686. *See id.* at 426.

Another court acknowledged the possible availability of an award of damages to fund a corrective advertising campaign, only to hold that the plaintiff requesting that remedy was ineligible for it.¹⁶⁸⁷ As the court framed the relevant issue, “[t]o prevail on a theory of corrective advertising, [the plaintiff] must show that (1) ‘the confusion caused by the defendant’s mark injured the plaintiff’ and (2) ‘that “repair” of the old trademark, rather than adoption of a new one, is the least expensive way to proceed.’”¹⁶⁸⁸ The plaintiff’s claim foundered on the first of these requirements, with the court finding as a matter of law that “[t]here is not a shred of evidence of any damage to the [plaintiff’s] mark caused by [the defendants]. The only loss to [the plaintiff] that [its principal] could testify to was that resulting from pursuing the instant litigation against [the defendants].”¹⁶⁸⁹ Even if an exception to the first requirement existed in cases involving actual confusion or blatant infringement, those circumstances did not exist in the case at hand.¹⁶⁹⁰

(2) Calculation of Actual Damages

Perhaps the most generous approach to a calculation of actual damages came courtesy of the Ninth Circuit, which entertained an appeal from a false advertising action in which the plaintiff had secured a finding of liability as a matter of law before the issue of monetary relief was referred to a jury.¹⁶⁹¹ The jury awarded \$2.5 million to the plaintiff as compensation for the damage the defendants had caused to the plaintiff’s goodwill, and the Ninth Circuit affirmed the district court’s refusal to disturb the jury’s verdict. The appellate court initially observed that:

The trier of fact must distinguish between proof of the *fact* of damages and the *amount* of damages because a mark holder is held to a lower standard in proving the exact amount of its actual damages. In measuring harm to goodwill, a jury may consider a plaintiff’s expenditures in building its reputation in order to estimate the harm to its reputation after a defendant’s bad acts. Upon proving causation, the plaintiff’s evidentiary burden relaxes considerably. To support a jury’s actual damages award, there need only be substantial

1687. See *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380 (D.N.J. 2011).

1688. *Id.* at 423 (quoting *Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499, 506 (7th Cir. 1992)).

1689. *Id.*

1690. See *id.*

1691. See *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105 (9th Cir. 2012).

evidence to permit the jury to draw *reasonable inferences* and make a *fair and reasonable assessment*.¹⁶⁹²

The court then held that the plaintiff's showing satisfied this standard. It might be true that "[the plaintiff] did not provide a specific mathematical formula for the jury to use in calculating actual harm to [the plaintiff's] goodwill"¹⁶⁹³ and that "at closing, counsel for [the plaintiff] asked the jury to 'fill in' the amount of damages that it found reasonable . . ." ¹⁶⁹⁴ Nevertheless, "counsel's comment was not an invitation for the jury to conjure the amount of damages out of the vapor."¹⁶⁹⁵ To the contrary, the record included evidence of the plaintiff's investment into cultivating its "stellar business reputation,"¹⁶⁹⁶ along with "multiple declarations and witness testimony proving that customers were very angry with, and blamed [the plaintiff] for problems caused by [the defendant]."¹⁶⁹⁷ Particularly because it was apparent that the defendants had acted willfully, the jury's award withstood appellate scrutiny:

[Section 35] demands neither empirical quantification nor expert testimony to support a monetary award of actual damages; many sources can provide the requisite information upon which a reasonable jury may calculate damages. Given our willingness to accept "crude" measures of damages in cases of intentional infringement, we hold that the jury's calculation was based on reasonable inferences and represented a fair assessment of the damages suffered by the plaintiff.¹⁶⁹⁸

Some calculations of actual damages were more straightforward. For example, one plaintiff, a provider of telecommunications services, established that the defendant's conduct had cost it at least 928 accounts and that each account had been worth \$106 in lost revenue.¹⁶⁹⁹ Multiplied together, these figures yielded of \$98,368.00 in lost revenues. Finding that the plaintiff was additionally entitled to reimbursement for its investigative costs and its expenses related to "corrective measures to prevent further fraudulent conduct," the court tacked on an

1692. *Id.* at 1112 (citations omitted).

1693. *Id.*

1694. *Id.*

1695. *Id.*

1696. *Quoted in id.*

1697. *Quoted in id.*

1698. *Id.* at 1113.

1699. *See T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121, 1135 (W.D. Wash. 2011).

additional \$18,125.88 to produce a total damages calculation of \$116,493.88.¹⁷⁰⁰

One court opined that “[d]amages may include lost sales, a reasonable royalty, and harm to brand value.”¹⁷⁰¹ The court then took a hard line toward the plaintiff’s attempted use of expert witness testimony to establish its entitlement to the second of these measures, namely, a reasonable royalty. According to the court, that testimony suffered from three flaws, the first of which was that it was undisputed that the parties were unwilling to enter into the trade dress license posited by the expert.¹⁷⁰² The second and third were the expert’s assumption that the trade dress had a value independent of a word mark typically licensed with it and his failure to take into account the ease with which the obligation to pay royalties could be avoided by changes to the trade dress, respectively.¹⁷⁰³

b. Statutory Damages

There are two bases for awards of statutory damages in federal unfair competition cases. First, Section 35(c) provides that, in cases involving the trafficking of goods bearing counterfeit marks, the plaintiff may elect to receive “not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold”; moreover, an award of up to \$2,000,000 is possible “if the court finds that the use of the counterfeit mark was willful.”¹⁷⁰⁴ Second, in cases involving violations of the ACPA, Section 35(d) allows a prevailing plaintiff to elect an award of statutory damages “in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just,” provided that registration of the domain name in question occurred after the effective date of the ACPA.¹⁷⁰⁵ “The amount of statutory damages awarded to a plaintiff does not depend on actual damages because often the proof of actual damages [is] within the infringers’ control and is not disclosed.”¹⁷⁰⁶

One case addressing the appropriate quantum of statutory damages under the ACPA required the court to identify the point in time at which the defendant’s conduct became unlawful.¹⁷⁰⁷

1700. *Id.*

1701. *See Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 243 (S.D.N.Y. 2012) (footnotes omitted).

1702. *See id.* at 237.

1703. *See id.*

1704. 15 U.S.C. § 1117(c)(1)-(2) (2012).

1705. *Id.* § 1117(d).

1706. *Lorillard Tobacco Co. v. Hamden Inc.*, 102 U.S.P.Q.2d 1703, 1709 (N.D. Ohio 2011).

1707. *See City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087 (S.D. Cal. 2012).

Relying on announcements by the lead plaintiff of its intent to use two marks, the defendant registered a series of domain names based on those marks before the plaintiffs either used the marks or applied to register them with the USPTO; the defendant had also beaten the plaintiffs to the punch by applying to register variations on the plaintiffs' marks in his own name before the filing dates of the plaintiffs' applications.¹⁷⁰⁸ At an earlier stage of the litigation, however, the court had entered summary judgment in the plaintiffs' favor, holding that they enjoyed priority of rights and were entitled to register their marks notwithstanding the defendant's conflicting claims in the USPTO. This led the court to conclude that "[c]learly [the defendant] had notice as of the [partial summary judgment] ruling by the Court that: (1) the [lead plaintiff] was the rightful owner of the Marks at issue in this case; (2) registration of the marks by the [lead plaintiff] was to be granted by the USPTO per the order of the Court."¹⁷⁰⁹ Because the defendant had reregistered two of the domain names after the order, it was on the hook for awards of statutory damages as to them, which the court set at \$50,000 apiece for a total award of \$100,000.¹⁷¹⁰

A number of awards of statutory damages came on motions for default judgments,¹⁷¹¹ with the most dubious such award appearing in an opinion from a New York federal district court.¹⁷¹² The plaintiff's causes of action in that case claimed "violation[s] of sections 43(a) and 43(c) of the Lanham Act" and also advanced "related claims of unfair competition and dilution under New York state law."¹⁷¹³ The apparent absence of a claim under Section 32(1)(A) of the Lanham Act¹⁷¹⁴ should have disqualified the plaintiff from pursuing statutory damages under the express text of Section 34(d)(1)(B)(i) of that statute,¹⁷¹⁵ and, separately and independently, the lack of an identity between the parties' marks

1708. *See id.* at 1097-99.

1709. *Id.* at 1117.

1710. *See id.*

1711. *See, e.g.,* Moroccan Oil, Inc. v. Allstate Beauty Prods., Inc., 847 F. Supp. 2d 1197, 1203 (C.D. Cal. 2012) (granting plaintiff's request for award of \$20,000 in statutory damages per counterfeit mark used by defendant); Hanley-Wood LLC v. Hanley Wood LLC, 783 F. Supp. 2d 147, 153 (D.D.C. 2011) (granting plaintiff's request for award of \$5,000 in statutory damages from each of two defendants "given that the requested amount is near the lower end of the spectrum and that Defendants willfully violated the ACPA").

1712. *See* Estate of Ellington v. Harbrew Imps. Ltd., 812 F. Supp. 2d 186 (E.D.N.Y. 2011).

1713. *Id.* at 188.

1714. 15 U.S.C. § 1114(1)(a) (2012).

1715. *Id.* § 1116(d)(1)(B)(i) ("[T]he term 'counterfeit mark' means . . . a counterfeit of a mark that is registered on the principal register of the United States Patent and Trademark Office . . .").

and goods should have had the same effect.¹⁷¹⁶ Nevertheless, the court was untroubled by these technicalities, and, after invoking its “broad discretion when determining statutory damages,”¹⁷¹⁷ it concluded that “based on the facts alleged in the complaint, \$325,000 is an appropriate award [of] [statutory] damages.”¹⁷¹⁸

A different motion for entry of a default judgment led the court entertaining the motion to articulate the following statement of the doctrinal rules governing the calculation of statutory damages:

“Generally, statutory damages [under the Lanham Act] are awarded when no actual damages are proven, or actual damages and profits are difficult or impossible to calculate.” The court has wide discretion in determining an award of statutory damages. Two factors that warrant special consideration are the willfulness of a defendant’s conduct and the deterrent value of any sanction imposed. Other factors that courts have considered include the expenses saved and the profits reaped by the infringer and the revenues lost by the copyright [sic] holder due to the infringement.

... A statutory maximum damages award should be reserved for trademark infringement that is particularly egregious, involves large amounts of counterfeit goods, or is otherwise exceptional.¹⁷¹⁹

In its application of these rules, the court was swayed by several considerations, one of which was that “this case involved only a relatively small number of counterfeit sales.”¹⁷²⁰ Still, although the defendants’ relatively modest revenues weighed against the largest possible award,¹⁷²¹ other factors warranted a “significant” one.¹⁷²² These included, inter alia, the nature of the products, namely, welding torch systems, sold by the parties:

[D]efendants’ infringement was willful and blatant. They sold products that copied the appearance and packaging of

1716. The plaintiff asserted rights to the DUKE ELLINGTON mark for “a broad category of goods and services, including, but not limited to, luxury watches, luxury pens, books, stationary [sic], greeting cards, designer apparel, limited edition prints, calendars, note cards, and posters,” while the defendants used the DUKE ELLINGTON XO COGNAC for cognac. *See Estate of Ellington*, 812 F. Supp. 2d at 190-91.

1717. *See id.* at 195.

1718. *Id.* at 196.

1719. *Ill. Tool Works Inc. v. Hybrid Conversions, Inc.*, 817 F. Supp. 2d 1351, 1355-56 (N.D. Ga. 2011) (first alteration in original) (quoting *Cable/Home Commc’ns Corp. v. Network Prods., Inc.*, 902 F.2d 829, 851 (11th Cir. 1990)).

1720. *Id.* at 1356.

1721. According to the record on this point, “[t]he only evidence available showed that the defendants sold approximately 417 counterfeit items at a price of \$85 per item, amounting to total sales of \$35,455.00.” *Id.*

1722. *Id.*

plaintiff's products. They advertised these products as authentic merchandise for half the typical list price. Moreover, and most importantly, defendants marketed and sold counterfeit items that posed a risk to public safety. Plaintiff presented uncontested evidence that the counterfeit torches contained several dangerous defects, including the potential for gas leaks that could cause fires. Infringing a trademark is egregious and should be severely punished, but it is even more contemptible to infringe upon a trademark with goods that are potentially dangerous to the public. Not only does the risk inherent in such goods pose an even greater threat to the goodwill associated with the trademark registrant's mark, it also threatens the public with physical harm. Therefore, the court finds that a large statutory damages amount is appropriate.¹⁷²³

The court therefore imposed statutory damages of \$500,000 per infringed mark against the lead defendant, "who actually obtained the counterfeit goods," and \$250,000 per infringed mark against the remaining defendant, "who simply sold some of the counterfeit goods."¹⁷²⁴

Yet another court entering a default judgment, this one as a sanction for various misconduct by the defendants, concluded that the defendants' failure to participate in discovery precluded an accurate determination of the defendants' sales of goods bearing counterfeit imitations of the plaintiff's two registered marks.¹⁷²⁵ "Instead of speculating about the magnitude of difference between what [the defendants] have admitted and what they actually sold," the court awarded a total of \$120,000 in statutory damages, which it tied to the plaintiff's lost profits:

Any amount in excess of the actual lost profits is intended to accommodate (1) the margin of error caused by the defendants' discovery misconduct; (2) the defendants' profits from sale of lower-quality goods at prices comparable to [the plaintiff's] products; (3) the need to deter the defendants from further counterfeiting and trademark infringement; and (4) the outrageous severity of the defendants' spoliation during litigation.¹⁷²⁶

1723. *Id.* at 1356.

1724. *Id.*

1725. *See Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922 (E.D. Va. 2011).

1726. *Id.* at 942.

c. Punitive Damages

The Lanham Act does not authorize awards of punitive damages, but they were found by one court to be appropriate under California law.¹⁷²⁷ The court framed the relevant test as holding that “where it is proven by clear and convincing evidence that the defendant has been guilty of oppression, fraud, or malice, the plaintiff, in addition to [its] actual damages, may recover damages for the sake of example and by way of punishing the defendant.”¹⁷²⁸ The record established by the plaintiffs in support of their motion for summary judgment and at trial demonstrated by the required clear and convincing evidence that the defendant, with full knowledge of the plaintiffs’ intended use of their marks, had registered domain names based on those marks, had formed corporations with the marks in their names, and had publicly claimed on his websites and directly to the plaintiffs’ customers that he owned the marks.¹⁷²⁹ Nevertheless, because “evidence of a defendant’s financial condition is a prerequisite to an award of punitive damages in order to ensure that the award will actually serve to deter the defendant’s conduct,”¹⁷³⁰ and because the plaintiffs had neglected to address that point, the court deferred calculation of an appropriate amount pending supplementation of the record.¹⁷³¹

d. Accountings of Profits

(1) Plaintiffs’ Entitlement to Accountings

Although an award of a plaintiff’s actual damages is a legal remedy, while an accounting of a defendant’s profits is an equitable one, the distinction between the two was lost on some courts.¹⁷³² Chief among those falling into the former category was the Ninth Circuit, which confused and conflated what should be the separate and independent rules governing these categories of monetary relief.¹⁷³³ The plaintiffs’ case in the appeal before the court sounded in false advertising, but the parties were not competitors, and this led the court to adopt a restrictive view of Section 35(a)’s admonition that an accounting “shall constitute

1727. See *City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087 (S.D. Cal. 2012).

1728. *Id.* at 1111 (footnotes omitted).

1729. See *id.* at 1097-99.

1730. *Id.* at 1118.

1731. See *id.*

1732. For an opinion referring to “damages” and “profits” in such an interchangeable manner that the precise remedy under consideration is not apparent, see *Estate of Ellington v. Harbrew Imps.*, 812 F. Supp. 2d 186, 194-95 (E.D.N.Y. 2011).

1733. See *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820 (9th Cir. 2011).

compensation and not a penalty.”¹⁷³⁴ The court noted as an initial matter that “[n]othing in the Lanham Act conditions an award of profits on [a] plaintiff’s proof of harm, and we’ve held that profits may be awarded in the absence of such proof.”¹⁷³⁵ It then held that:

But an award of profits with no proof of harm is an uncommon remedy in a false advertising suit. It’s appropriate in false *comparative* advertising cases, where it’s reasonable to presume that every dollar defendant makes has come directly out of plaintiff’s pocket. It’s also appropriate where ordinary damages won’t deter unlawful conduct: for example, when defendant associates its product with plaintiff’s noncompetitive product to appropriate good will or brand value. The reason there is that plaintiff is unlikely to have lost any sales or sale contracts to defendant, and the damages [sic] must be measured by defendant’s gains from the illicit use.¹⁷³⁶

Nevertheless, it was undisputed that the defendants had advertised services different from those the plaintiffs offered. What’s more, “[p]laintiffs didn’t produce *any* proof of past injury or causation, so the district court had no way to determine with any degree of certainty what award would be compensatory”; as a consequence, “[t]he district court didn’t err in denying damages [sic].”¹⁷³⁷

Other opinions displayed better understandings of the distinction between the two remedies.¹⁷³⁸ One came from a Minnesota federal district court hearing a false-advertising action in which it was undisputed that the counterclaim plaintiffs were unable to identify any record evidence or testimony establishing their actual damages.¹⁷³⁹ Their request for an accounting nevertheless survived a defense motion for summary judgment based on this deficiency, as well as on the absence of proof that consumers actually had been deceived by the counterclaim defendant’s advertising or that the counterclaim defendants had acted willfully. Rejecting the counterclaim defendants’ actual deception-based argument, the court held that an accounting could rest “on either a theory of unjust enrichment or deterrence.”¹⁷⁴⁰ It then held that “[o]ther than general equitable considerations,

1734. 15 U.S.C. § 1117(a) (2012).

1735. *TrafficSchool.com*, 653 F.3d at 831.

1736. *Id.* (citations omitted).

1737. *Id.*

1738. For an opinion evincing the difference between the two remedies in an application of California state law, see *Orthopedic Sys., Inc. v. Schlein*, 135 Cal. Rptr. 3d 200, 213 (Ct. App. 2011).

1739. See *Safco Prods. Co. v. Welcom Prods., Inc.*, 799 F. Supp. 2d 967 (D. Minn. 2011).

1740. *Id.* at 995.

there is no express requirement . . . that the infringer willfully infringe the trade dress to justify an award of profits.”¹⁷⁴¹ The court based this last conclusion in part on changes to Section 35(a) worked by the Trademark Amendments Act of 1999:¹⁷⁴²

The 1999 amendments to the Lanham Act . . . changed the legal landscape. “Before 1999, section [35(a)] allowed recovery for, among other things, ‘a violation under section [43(a)].” “Congress amended the language of section [35(a)] in 1999 to allow recovery for ‘a violation under section [35(a)], or a willful violation under section [43(c)].” After additional amendments, the statute now “allows recovery for ‘a violation under section [43(a) or (d)], or a willful violation under section [43(c)].”

. . . .

This Court concludes that Section [35(a)] generally does not require willfulness, except where an award of the wrongdoer’s profits would be based on the deterrence rationale, but that willfulness is a relevant factor.¹⁷⁴³

Opinions from two New York federal district courts went in different directions with respect to the possible requirement of intentional misconduct for an accounting of profits. In the first,¹⁷⁴⁴ the court considered it significant that the 1999 amendment to Section 35 had limited the availability of monetary relief in actions under Section 43(c) to cases in which a “willful violation” of that statute was shown. Congress’s contemporary failure to enact a similar restriction applicable to violations of Section 43(a) led the court to conclude that willfulness no longer was a requirement for an accounting of profits derived from unfair competition.¹⁷⁴⁵ Nevertheless, it also concluded on the plaintiff’s motion for summary judgment that, “[i]n any event, based upon a review of the record, the Court finds that no reasonable trier of fact would fail to find that Defendants acted in bad faith.”¹⁷⁴⁶

The second court held that intentional misconduct was a prerequisite for an accounting of profits but declined to limit the relevant inquiry to that consideration:

To obtain an accounting, the plaintiff must show that the infringer acted with “willful deceptiveness.” Nonetheless, because an accounting of profits is an equitable remedy, willful

1741. *Id.* (quoting *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989)).

1742. Pub. L. No. 106-43, § 1118(c)(1), 113 Stat. 218, 219 (1999).

1743. *Safco Prods.*, 799 F. Supp. 2d at 996 (quoting *Wildlife Research Ctr., Inc. v. Robinson Outdoors, Inc.*, 409 F. Supp. 2d 1131, 1136 & n.4 (D. Minn. 2005)).

1744. *See Chanel, Inc. v. Veronique Idea Corp.*, 795 F. Supp. 2d 262, 269 (S.D.N.Y. 2011).

1745. *See Chanel*, 795 F. Supp. 2d at 269.

1746. *Id.*

deceptiveness, while a necessary factor, must be considered with many others, including “(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) plaintiff’s laches[,] and (5) plaintiff’s unclean hands.”¹⁷⁴⁷

Whatever the weight to which these additional factors might be entitled, however, the court denied a defense motion for summary judgment as to the plaintiff’s entitlement to an accounting largely on the basis of record evidence suggesting that the defendant had intentionally copied certain trade dresses claimed by the plaintiff.¹⁷⁴⁸

(2) The Accounting Process

Section 35(a) governs the mechanics of an accounting of an infringing defendant’s profits by codifying the common-law rules governing that process. It provides in relevant part that “[i]n assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost or deduction claimed.”¹⁷⁴⁹ Although these rules are simply stated, their application can be problematic, especially in light of the frequent failure by courts to distinguish clearly between the *legal* remedy of an award of the *plaintiff’s* actual damages and the *equitable* remedy of an accounting of the *defendant’s* profits. Indeed, even when courts appear to recognize the distinction between the two concepts in cases in which plaintiffs seek accountings, the resulting opinions all too often mistakenly evaluate the availability of that relief by expressly or implicitly invoking rubrics applicable to damages calculations.

Not for the first time, the Ninth Circuit led the way down this all-too-often-taken path in a case in which the plaintiff had successfully pursued an accounting of the defendants’ profits in a jury trial.¹⁷⁵⁰ Set forth immediately below a heading styled as “Disgorgement of Profits,” the court’s statement of the standard of review improperly referred to “*lost profits*”—the usual measure of a plaintiff’s actual damages—rather than to the profits *enjoyed* by the defendants: “In reviewing an award of lost profits, we do not ask whether the substance of the evidence presented to the jury

1747. *Gucci Am., Inc. v. Guess?, Inc.*, 843 F. Supp. 2d 412, 419 (S.D.N.Y. 2012) (first and second alterations in original) (quoting *Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 279 (S.D.N.Y. 2007) (quoting *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992))).

1748. *See id.* at 426, 427.

1749. 15 U.S.C. § 1117(a) (2012).

1750. *See Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105 (9th Cir. 2012).

was correct or even credible; we only ascertain whether the award was based on reasonable inferences and fair assessments of the evidence in the record.”¹⁷⁵¹ Nevertheless, and despite also noting that the plaintiff had presented expert witness testimony “[i]n support of its request for damages [sic],” the court applied a fairly straightforward analysis in finding that the testimony was a sufficient basis for the jury’s determination of the quantum of the defendants’ profits. That testimony rested on: (1) the number of customers in the plaintiff’s geographic market documented in the defendants’ discovery responses; (2) an upward adjustment in that number by a factor of 2.131 to compensate for “residence information” missing from those responses; (3) the multiplication of the resulting number “by an average transaction amount”; (4) a further adjustment of that number “for resulting revenue from out-of-state residents”; and (5) the addition of 10 percent prejudgment interest.¹⁷⁵² Although the defendants argued that the plaintiff’s expert had failed to make certain deductions from their overall revenues, their failure to raise the point at trial precluded them from doing so on appeal.¹⁷⁵³

Another court began its discussion of the evidence supporting a request for an accounting with the unpromising statement that “[w]hen the Lanham Act has been violated, the Act provides for actual damages, consisting of the sum of (1) defendant’s profits, (2) ‘any damages sustained by the plaintiff,’ and (3) court costs.”¹⁷⁵⁴ To its credit, the court ultimately recognized (albeit under a heading styled as “Damages Calculation”) that “[b]ecause [the prevailing plaintiff] has demonstrated that it is entitled to profits, it is required only to prove Defendants’ sales”¹⁷⁵⁵ and that “Defendants have the burden to prove any costs or deductions from their gross revenues.”¹⁷⁵⁶ In the case at hand, however, the defendants did not have the opportunity to carry their burden. Instead, the plaintiff successfully moved the court to exclude the defendants’ proposed deductions in light of the defendants’ failure during discovery to comply with orders requiring them to produce documents bearing on the issue. As a consequence, the court held, “[s]ince no costs or expenses will be deducted from Defendants’ gross profits, [the plaintiff] is entitled to [that] amount”¹⁷⁵⁷

1751. *Id.* at 1113.

1752. *See id.* at 1114.

1753. *See id.*

1754. *Chanel, Inc. v. Veronique Idea Corp.*, 795 F. Supp. 2d 262, 268 (S.D.N.Y. 2011) (quoting 15 U.S.C. § 1117(a) (2006)).

1755. *Id.* at 270.

1756. *Id.*

1757. *Id.* at 271.

A similar statement of the relevant rules came in an opinion denying a defense motion for summary judgment: “To be entitled to recover profits, [the plaintiff] must only prove [the defendants’] sales of the allegedly falsely advertised products. If [the defendants] fail[] to prove the sales not due to the allegedly infringing products—subject only to the principles of equity.”¹⁷⁵⁸ The defendants’ motion contended that the plaintiff’s expert witness had applied an improper profit margin to their gross sales. The court was notably unsympathetic, holding that “[t]his argument is irrelevant because the expert was not required to calculate profits at all—she was merely required to calculate sales. It is [*the defendants*]’ burden to prove any costs or deductions.”¹⁷⁵⁹

In contrast, a considerably more defendant-friendly opinion emerged from a different court.¹⁷⁶⁰ The court’s finding of liability rested on the defendant’s admission that it had produced and sold corrugated boxes bearing the plaintiff’s registered mark. The plaintiff in the case fell short in responding to the defendant’s motion for summary judgment because of its failure to conduct an apportionment: “[W]hile . . . it is quite likely that Defendant earned some measure of profit from its activities involving the improperly marked corrugated boxes, Plaintiff has failed to establish the amount of any such profits or the extent to which such are attributable to Defendant’s infringing conduct.”¹⁷⁶¹ Partial summary judgment in the defendant’s favor therefore was appropriate on the ground that “Plaintiff has failed to establish [its] entitlement to actual damages [sic] under § [35].”¹⁷⁶²

e. Adjustments of Awards of Actual Damages and Accountings of Profits

Section 35(a) of the Lanham Act authorizes the augmentation of monetary relief, but there are express limits to this mechanism:

In 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 exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances

1758. *Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 819 (D. Minn. 2011).

1759. *Id.*

1760. *See Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819 (W.D. Mich. 2011).

1761. *Timber Prods. Inspection*, 827 F. Supp. 2d at 831.

1762. *Id.*

of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.¹⁷⁶³

As the Ninth Circuit made clear over the past year, the last sentence of this excerpt matters as much as the first two.¹⁷⁶⁴ Reviewing a post-trial opinion doubling both an award of damages and an accounting of profits made by a jury, it held that “[t]he district court’s focus on [the defendants’] ‘seeming disregard for the people they harmed and the reputation they sullied’ suggests that it enhanced the [monetary relief] in response to [the defendants’] base willfulness.”¹⁷⁶⁵ Specifically, “[i]nstead of discussing the appropriate award to compensate [the plaintiff] or to deter [the defendants], the district court focused on the need for [the defendants] to ‘appreciate’ and ‘accept the wrongfulness of their conduct.’”¹⁷⁶⁶ This preoccupation, the appellate court held, rendered the district court’s action an abuse of discretion, regardless of whatever permissible goals otherwise may have driven it: “The broader context of the court’s enhancement discussion reveals its punitive motivation.”¹⁷⁶⁷

At the same time, however, the Ninth Circuit declined to accept the defendants’ invitation to overturn the monetary relief entered by the district court in its entirety because that relief was grossly excessive and punitive. The gravamen of the defendants’ argument on this point was that, in light of their modest revenues, it was unfair to hold them accountable for a \$10 million-plus judgment. The court of appeals was unmoved, noting that the defendants had for years operated a nationwide business, which had specifically targeted customers in the plaintiff’s home state.¹⁷⁶⁸ Of equal importance, the defendants “fail[] to present us with any authority . . . allowing a defendant to escape liability for trademark infringement and false advertising damages by claiming, essentially, that it is too small to justify such a large award.”¹⁷⁶⁹

In addition to the availability of Section 35(a), prevailing plaintiffs able to demonstrate that their opponents have trafficked in goods and services associated with counterfeit marks can avail themselves of Section 35(b), which provides that:

1763. See 15 U.S.C. § 1117(a) (2012).

1764. See *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105 (9th Cir. 2012).

1765. *Id.* at 1115.

1766. *Id.*

1767. *Id.*

1768. See *id.*

1769. See *id.*

[T]he court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, . . . in the case of any violation of section 32(1)(a) . . . or [36 U.S.C. § 220506] that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark . . . in connection with the sale, offering for sale, or distribution of goods or services.¹⁷⁷⁰

This language obviously has greater teeth than that in Section 35(a), and, indeed, the near-automatic trebling mechanism authorized by it has been successfully invoked with increasing frequency.¹⁷⁷¹ The conduct of one defendant falling afoul of it over the past year had been egregious: He had sold diverted SIM cards and unlawfully activated cell phones bearing the plaintiff's marks, as well as falsely advertised that he was a dealer of the plaintiff authorized to offer flat-rate service plans.¹⁷⁷² Having determined both that the defendant had engaged in counterfeiting and the quantum of the plaintiff's actual damages, the court held "[a]s a result of Defendant's willful conduct . . . the Court finds it proper to treble [the plaintiff's] award of actual damages."¹⁷⁷³

Nevertheless, not all requests for augmented awards and accountings under Section 35(b) were granted, and, indeed, one opinion declined to augment the monetary relief to which the plaintiff otherwise might be entitled on the ground that to do so would result in an unwarranted windfall.¹⁷⁷⁴ The defendants were holdover franchisees, whose use of the plaintiff's marks after the termination of their franchise led to findings on the plaintiff's motion for a default judgment that they owed the plaintiff \$52,460.81 in actual damages and \$61,196.13 in liquidated damages.¹⁷⁷⁵ The plaintiff's motion requested three categories of monetary relief: (1) the plaintiff's actual damages; (2) a separate award consisting of three times the plaintiff's actual damages; and (3) a trebled award of the plaintiff's actual damages and the

¹⁷⁷⁰. 15 U.S.C. § 1117(b) (2012).

¹⁷⁷¹. *See, e.g., Chanel, Inc. v. Veronique Idea Corp.*, 795 F. Supp. 2d 262, 271 (S.D.N.Y. 2011) (trebling award of actual damages on ground that "no rational jury could fail to find that Defendants intentionally purchased and sold jewelry products bearing the [counterfeit mark] at issue with full knowledge that they were without the right or authority to do so"); *see also Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922, 941 (E.D. Va. 2011) (noting in dictum that "[w]here the defendants' infringement was intentional, the appropriate underlying damages are to be trebled").

¹⁷⁷². *See T-Mobile USA, Inc. v. Terry*, 862 F. Supp. 2d 1121 (W.D. Wash. 2012).

¹⁷⁷³. *Id.* at 1135.

¹⁷⁷⁴. *See Century 21 Real Estate LLC v. Destiny Real Estate Props. LLC*, 101 U.S.P.Q.2d 1423 (N.D. Ind. 2011).

¹⁷⁷⁵. *See id.* at 1426.

results of an accounting of the defendants' profits.¹⁷⁷⁶ With considerable understatement, the court noted that "awarding all of these damages would result in at least some double recovery,"¹⁷⁷⁷ and it identified three reasons for denying the plaintiff's expansive request: (1) an award of the first two categories of relief identified by the plaintiff's motion would result in a *quadrupling* of the plaintiff's damages; (2) Section 35(b) provided for the possible trebling of the plaintiff's actual damages or the defendant's profits, but not both; and (3) "the liquidated damages awarded under the [plaintiff's] breach of contract claim already account for at least a portion of [the plaintiff's] lost profits."¹⁷⁷⁸

Finally, those inclined to ignore the potential significance of apparently ancillary state-law unfair competition claims in cases presenting causes of action under the Lanham Act might be disabused from doing so by the Fourth Circuit's opinion in *Belk, Inc. v. Meyer Corp.*¹⁷⁷⁹ There, the court affirmed a district court's award of treble damages under North Carolina state law¹⁷⁸⁰ following a jury verdict of trade dress infringement. Based on the jury's findings, the court noted that "the inference of an intent to deceive could hardly be stronger on this record";¹⁷⁸¹ nevertheless, it also rejected the defendant's argument that the state statute authorizing the trebled award was not intended to reach cases of unintentional infringement.¹⁷⁸² Rather, "[t]reble damages are assessed automatically upon a violation [of the statute]."¹⁷⁸³

f. Attorneys' Fees

Awards of attorneys' fees to prevailing parties in trademark and unfair competition litigation are left to the discretion of trial courts,¹⁷⁸⁴ and there are a number of mechanisms authorizing the

1776. *See id.* at 1428.

1777. *Id.*

1778. *Id.*

1779. 679 F.3d 146 (4th Cir. 2012).

1780. *See* N.C. Gen. Stat. § 75-16.

1781. *Belk*, 679 F.3d at 168.

1782. *See id.*

1783. *Id.* at 165 (quoting *Walker v. Branch Banking & Trust Co.*, 515 S.E.2d 727, 731 (N.C. Ct. App. 1999)).

1784. *See, e.g.*, *First Nat'l Bank in Sioux Falls v. First Nat'l Bank S.D.*, 679 F.3d 763, 771(8th Cir. 2012) ("The district court's decision whether to award attorney's fees is reviewed for abuse of discretion."); *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 99 (2d Cir. 2011) (declining to overturn as abuse of discretion decision not to impose award of fees against plaintiff that "filed its action [to protect a] registered trademark and withdrew the action quickly"), *aff'd on other grounds*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

exercise of that discretion.¹⁷⁸⁵ It is possible in some jurisdictions for prevailing parties to secure awards of fees under state law, but, as always, most cases awarding fees over the past year did so under federal law, which recognizes a number of bases for fee petitions. For example, the Federal Rules of Appellate Procedure authorize awards of fees associated with frivolous appeals.¹⁷⁸⁶ As in any federal court action, a court hearing a trademark case also may award fees if a litigant has “unreasonably and vexatiously” multiplied the proceedings in a case.¹⁷⁸⁷ Similarly, courts may impose awards of fees in the form of sanctions under Rule 11 of the Federal Rules of Civil Procedure,¹⁷⁸⁸ or, in the case of discovery violations, under Rule 37(a)(5)(C).¹⁷⁸⁹ Federal courts likewise have the inherent power to award fees if bad-faith litigation practices by the parties justify them.¹⁷⁹⁰ Finally, and of greatest significance to fee petitions under federal law, Section 35(a) authorizes the imposition of fees upon the losing party in “exceptional cases,”¹⁷⁹¹ while Section 35(b) makes such an award virtually mandatory in cases in which a defendant has been found liable for trafficking in goods or services associated with counterfeit marks.¹⁷⁹²

(1) Awards in Favor of Prevailing Plaintiffs

Those courts to address the issue confirmed that a plaintiff electing statutory damages under Section 35(c) does not thereby forfeit its eligibility for an award of attorneys’ fees under Section 35(b) in the event that the case is found to be an exceptional one.¹⁷⁹³ Having been found liable for trafficking in goods bearing counterfeit imitations of the plaintiff’s registered marks, the

1785. Nonprevailing parties are not in a position to seek recovery of their fees. *See, e.g.,* Tire Eng’g & Distrib., LLC v. Shandong Linglong Rubber Co., 682 F.3d 292, 311 n.8 (4th Cir. 2012) (per curiam) (vacating award of fees to prevailing plaintiffs after reversing finding of liability by district court).

1786. Fed. R. App. P. 38.

1787. 28 U.S.C. § 1927 (2012). For an opinion confirming the availability of fee awards under 28 U.S.C. § 1927, independent of their potential availability under Section 35, see *Specht v. Google, Inc.*, 805 F. Supp. 2d 551, 556 (N.D. Ill. 2011).

1788. Fed. R. Civ. P. 11.

1789. Fed. R. Civ. P. 37(a)(5)(C).

1790. *See, e.g.,* San Juan Prods., Inc. v. San Juan Pools, Inc., 849 F.2d 468, 476 (10th Cir. 1988).

1791. 15 U.S.C. § 1117(a) (2012).

1792. *Id.* § 1117(b).

1793. *See, e.g.,* City of Carlsbad v. Shah, 850 F. Supp. 2d 1087, 1108-09 (S.D. Cal. 2012) (finding case an exceptional one and awarding both attorneys’ fees and statutory damages); *Moroccanoil, Inc. v. Allstate Beauty Prods., Inc.*, 847 F. Supp. 2d 1197, 1204-05 (C.D. Cal. 2012) (awarding attorneys’ fees in light of “deliberate and willful” nature of defendant’s conduct, despite earlier award of statutory damages).

defendants in one appeal argued that, unlike Section 35(a) and Section 35(b), Section 35(c) did not on its face contemplate awards of fees to prevailing plaintiffs proceeding under it.¹⁷⁹⁴ The Second Circuit framed the relevant issues in the following manner:

Does the election by a plaintiff to seek statutory damages under section [35(c)] instead of actual damages and profits under section [35(a)], (1) supplant only that part of section [35(a)] that provides the method for ascertaining the amount of damages with the method set forth for ascertaining damages in section [35(c)], while leaving unaffected the last sentence of the subsection—“[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party”? Or does it (2) supplant the entirety of subsection (a) including the provision for attorney’s fees in “exceptional cases”? If the former, then the plaintiff may make such an election, as [the plaintiff] did in this case, and retain the ability to seek attorney’s fees if the case is deemed by the court to be sufficiently “exceptional.” If the latter, by making the election to seek damages under subsection (c), [the plaintiff] lost the ability to obtain any attorney’s fees award at all, under subsection (a) or otherwise.¹⁷⁹⁵

The court’s resolution of these questions was every bit as involved as its summary of them. Examining Section 35’s express text, it concluded that:

Section [35(c)] characterizes the plaintiff’s recovery of statutory damages as being “instead of actual damages and profits under subsection (a) of this section.” To the extent that [Section 35(a)] distinguishes between actual profits and damages on the one hand, and an award of attorney’s fees on the other, then, the alternative recovery is instead of damages and profits under [Section 35(a)], not instead of damages, profits, *and* (in some “exceptional cases”) attorney’s fees under [Section 35(a)].¹⁷⁹⁶

Another potential threshold barrier to awards of fees to prevailing plaintiffs fell by the wayside in an appeal to the Ninth Circuit of a false advertising action in which no monetary relief had been granted by the district court.¹⁷⁹⁷ The appellate court vacated the denial of the plaintiffs’ fee petition, holding that “[b]y examining only the relief awarded to [the] *plaintiffs*, and failing to

1794. See *Louis Vuitton Malletier S.A. v. LY USA, Inc.*, 676 F.3d 83 (2d Cir. 2012).

1795. *Id.* at 106 (fifth alteration in original).

1796. *Id.* at 109.

1797. See *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820 (9th Cir. 2011).

consider [the] defendants' conduct, the district court applied the wrong legal standard."¹⁷⁹⁸ Specifically:

No doubt, the court may take [the] plaintiffs' failure to recover damages into account when exercising its discretion to award fees, but it must also consider that [the] plaintiffs obtained a judgment and an injunction that ameliorate a serious public harm. In addition, the court must weigh the unlawfulness of [the] defendants' conduct. It would be inequitable to force [the] plaintiffs to bear the entire cost of enjoining [the] defendants' willful deception when the injunction confers substantial benefits on the public.¹⁷⁹⁹

Particularly because the record supported the district court's finding that the defendants' conduct was willful, the denial of fees had been an abuse of discretion.¹⁸⁰⁰

A Michigan federal district court opinion granting a fee petition similarly focused on the culpability of the defendant's conduct prior to the filing date of the litigation against it.¹⁸⁰¹ The defendant admitted the salient allegation of the plaintiff's complaint, which was that the defendant had produced corrugated boxes bearing imitations of the plaintiff's registered mark, despite the display of that mark with the ® symbol on the packaging the defendant copied. The defendant's candor failed to prevent the court from finding that the case qualified as an exceptional one. To the contrary:

Defendant made absolutely no effort to determine whether its customer was authorized to use or employ the [plaintiff's] mark, but instead simply copied the mark in question and used it for an extended period of time without regard for Plaintiff's rights. In the court's estimation, such epitomizes willful and deliberate infringement.¹⁸⁰²

As these outcomes suggest, one potential basis of an award of fees under Section 35(a) is egregious prelitigation misconduct by

1798. *Id.* at 832.

1799. *Id.*

1800. On the issue of willfulness of the defendants' conduct, the court noted that the defendants' conduct had generated "hundreds" of instances of actual confusion among members of the public, to which the defendants had responded by incorporating "ineffective" disclaimers into their advertising. *See id.* at 832-33. As a consequence, "[t]here was overwhelming proof that [the] defendants knew their statements confused consumers and did little or nothing to remedy it." *Id.* at 833. In addition, even if the defendants' misbehavior didn't rise to the level of egregiousness, "exceptionality doesn't require egregious conduct." *Id.*

1801. *See Timber Prods. Inspection, Inc. v. Coastal Container Corp.*, 827 F. Supp. 2d 819 (W.D. Mich. 2011).

1802. *Id.* at 831.

defendants,¹⁸⁰³ but it is, of course, possible for both pre-filing and post-filing conduct by defendants to lead to the grant of fee petitions.¹⁸⁰⁴ For example, one court hearing infringement, unfair competition, and cybersquatting claims by a city and its public financing authority found that the defendant had registered twenty domain names incorporating the plaintiffs' marks, despite his prior knowledge of the plaintiffs' intended use of those marks; other findings were that the defendant had applied to register the plaintiffs' marks and had formed corporations that included the marks in their names.¹⁸⁰⁵ Beyond this, the defendant's imitation of at least one of the plaintiffs' marks had continued after entry of partial summary judgment in the plaintiffs' favor, and, as the court found, "his arguments and behavior throughout this case have been groundless, unreasonable, vexatious, and pursued in bad faith."¹⁸⁰⁶ As the court summarized the situation, "[i]f [the defendant's] bad faith alone were not sufficient to make this an exceptional case, [his] continuing infringing conduct after the [earlier] order, [his] conduct during discovery, and [his] perjury during [his] deposition and at trial make this an exceptional case."¹⁸⁰⁷

Another representative example of an opinion awarding fees under both theories emerged from a suit brought by a retailer of cell phones and wireless service against a defendant who had sold SIM cards and phones bearing the plaintiff's marks; the phones had been unlawfully activated, and the defendant's misconduct additionally included false representations that he was an authorized dealer of the plaintiff.¹⁸⁰⁸ Not surprisingly, the court found that "Defendant's entire business model is predicated on the unauthorized and willful exploitation of [Plaintiff's] Marks."¹⁸⁰⁹ Then, after the case was filed and the defendant subjected to interlocutory relief, "Defendant refused to cooperate in discovery, repeatedly violated Court Orders and . . . violate[d] the Preliminary Injunction."¹⁸¹⁰ Under these circumstances, fees were properly imposed on the defendant because

1803. *See also* Chanel, Inc. v. Veronique Idea Corp., 795 F. Supp. 2d 262, 271 (S.D.N.Y. 2011) (awarding fees under Section 35(a) on ground that "there is no material issue of fact that Defendants intentionally infringed and counterfeited the [plaintiff's mark]").

1804. *See, e.g.*, Tracfone Wireless, Inc. v. Trung Truc, 281 F.R.D. 692, 695 (S.D. Fla. 2012) ("The Court finds that the willful nature of [the lead defendant's] violations, combined with his failure to appear and respond to the first amended complaint despite . . . having notice of this action, makes an award of attorneys' fees to [the plaintiff] appropriate.")

1805. *See* City of Carlsbad v. Shah, 850 F. Supp. 2d 1087, 1093-1100 (S.D. Cal. 2012).

1806. *See id.* at 1109.

1807. *Id.* at 1118.

1808. *See* T-Mobile USA, Inc. v. Terry, 862 F. Supp. 2d 1121 (W.D. Wash. 2012).

1809. *Id.*

1810. *Id.*

of the egregiousness of its infringement and because of its litigation practices.¹⁸¹¹

Finally, and as always, some prevailing plaintiffs were able to establish their entitlement to awards of fees as a result of defendants' defaults.¹⁸¹² One court explained why: "In a default, the factual allegations set forth in the complaint are deemed true and '[a] defaulting party ordinarily cannot contest the merits of the plaintiff's claim absent indisputable contradictory evidence.'"¹⁸¹³ It then applied this rule to the case before it to hold that "[d]efendants have failed to file an answer or otherwise submit any evidence to contradict the allegations set forth in the complaint. Defendants' infringement of plaintiffs' [m]arks is therefore deemed willful."¹⁸¹⁴

Still, however, the skepticism of some courts toward the fee petitions of prevailing plaintiffs was such that even proof that defendants had trafficked in goods bearing counterfeit imitations of plaintiffs' marks did not necessarily result in awards of fees.¹⁸¹⁵ That result held in a Fifth Circuit opinion in which the court affirmed the denial of a fee petition in the face of just such proof.¹⁸¹⁶ The court pointed out that liability for counterfeiting was measured by an objective standard, while, "in contrast, the issue of evaluating good faith for establishing the exceptional nature of a case for [Section 35] purposes includes a subjective component."¹⁸¹⁷ Against that doctrinal backdrop, the court considered it significant that the counterclaim defendant's website featured "unmistakable" disclaimers of affiliation, that the counterclaim defendant had made at least some permissible uses of the counterclaim plaintiff's marks, and that the counterclaim defendant's principal had

1811. *See id.*

1812. *See, e.g.,* Mary Kay, Inc. v. Ayres, 827 F. Supp. 2d 584, 591 (D.S.C. 2011) (identifying as partial basis for award of fees that "this court entered a default judgment against [the lead defendant] for infringement of another entity's intellectual property rights, which indicates her knowledge of trademark infringement, and her willful disregard of others' property rights").

1813. Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc., 817 F. Supp. 2d 66, 74 (S.D.N.Y. 2011) (alteration in original) (citation omitted) (quoting Cheesecake Factory Assets Co. v. Philadelphia Cheese Steak Factory Inc., No. 05 CV 3243, 2008 WL 2510601, at *3 (E.D.N.Y. June 20, 2008)) (internal quotation marks omitted).

1814. *Id.*

1815. *See, e.g.,* Lorillard Tobacco Co. v. Hamden Inc., 102 U.S.P.Q.2d 1703, 1709 (N.D. Ohio 2011) (declining to resolve prevailing plaintiff's entitlement to award of fees on summary judgment on ground that "[i]n this case, there is a genuine issue of material fact as to whether Defendant's act of offering the counterfeit cigarettes for sale was malicious, fraudulent, deliberate or willful").

1816. *See* Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co., 671 F.3d 526 (5th Cir. 2012).

1817. *Id.* at 537.

“attended many trademark law seminars for the purpose of conducting his printing business within the bounds of the law.”¹⁸¹⁸ The counterclaim defendant’s stipulation to an injunction in an earlier case did not render the district court’s reliance on these considerations an abuse of discretion. Instead, “that settlement agreement bears little probative weight on [the counterclaim defendant’s] subjective belief that it was, in fact, guilty of trademark infringement in that collateral matter”;¹⁸¹⁹ indeed, “[a]ny number of ancillary concerns could have motivated its decision to settle.”¹⁸²⁰

(2) Awards in Favor of Prevailing Defendants

Prevailing defendants typically have greater difficulty than their prevailing plaintiff counterparts to secure awards of attorneys’ fees, in substantial part because of the dearth of authority clearly defining the standard to be applied in cases in which findings of nonliability are reached. As the Ninth Circuit explained over the past year, “[t]he line distinguishing exceptional cases from non-exceptional cases is far from clear. It is especially fuzzy where the *defendant* prevails due to [the] plaintiff’s failure of proof.”¹⁸²¹

Nevertheless, that did not stop that court in the same case from affirming a fee award to a defendant that had successfully established that the alleged trade dress on which the plaintiff’s claims were based was functional as a matter of law. The court noted that it previously had held that “an action is exceptional under the Lanham Act if the plaintiff has no reasonable or legal basis to believe in success on the merits. In other words, exceptional cases include instances where [the] plaintiff’s case is frivolous or completely lacking in merit.”¹⁸²² Applying this standard to the appellate record before it, the court concluded that it had been met. Not only was there “an utter failure of proof” on the plaintiff’s part, “the testimony of third-party witnesses called by [the defendant] . . . laid bare the [plaintiff’s] claim of nonfunctionality”;¹⁸²³ moreover, the plaintiff should have been on notice of the weakness of its claim of nonfunctionality based on another court’s rejection of it several months earlier in a separate

1818. *Id.*

1819. *Id.* at 538.

1820. *Id.*

1821. *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677, 687 (9th Cir. 2012).

1822. *Id.* at 687-88 (citation omitted).

1823. *Id.* at 688.

case.¹⁸²⁴ Although the plaintiff had introduced a design patent in support of its case, the court concluded that the patent did not “mirror” the design at issue and that the plaintiff had failed to “offer evidence that it has any claim or rights in the patent or even that it is a valid patent.”¹⁸²⁵ Because the plaintiff’s suit had been “a conscious, albeit misguided attempt to assert trade dress rights in a non-protectable . . . configuration,” the district court’s award of fees was appropriate.¹⁸²⁶

Having dismissed allegations of false advertising on a defense motion for summary judgment, an Eighth Circuit district court was all ears when the defendants subsequently sought reimbursement of their fees.¹⁸²⁷ According to its formulation of the relevant test, “[b]eyond intentional abuse of the litigation process, the core question is if and when it becomes inescapable that the [plaintiff’s] claims have no merit and the case continues without just cause and with unnecessary harm.”¹⁸²⁸ The court noted that “a weak claim alone is not enough to make a case exceptional,”¹⁸²⁹ but its reading of the record demonstrated that “the groundless nature of [the plaintiff’s] Lanham Act claim exceeds more than one weak element.”¹⁸³⁰ The court found particularly significant the plaintiff’s failure to heed the court’s warning about the weakness of the plaintiff’s case in an earlier opinion denying the plaintiff’s motion for a preliminary injunction: “While a failure of evidentiary support at the very early stage of seeking preliminary relief would rarely alone suggest a suit would ultimately be groundless, it is axiomatic that evidentiary support is eventually required.”¹⁸³¹ Because the plaintiff’s response to the defendants’ motion for summary judgment failed to identify any factual support for its case other than the self-serving testimony of its principal that he believed the defendants’ advertising was “not accurate,”¹⁸³² the court concluded that the plaintiff’s behavior was “beyond the pale

1824. *See id.* (“Given that evidence of nonfunctionality would be primarily in [the plaintiff’s] possession, its inability to demonstrate nonfunctionality in the [other] case seriously undercuts its arguments that it was raising debatable issues of law and fact in this action.”).

1825. *Id.*

1826. *Id.* at 869.

1827. *See Home Show Tours, Inc. v. Quad City Virtual, Inc.*, 840 F. Supp. 2d 1150 (D. Iowa 2012).

1828. *Id.* at 1153.

1829. *Id.*

1830. *Id.*

1831. *Id.* at 1154.

1832. *Quoted in id.*

of acceptable conduct.”¹⁸³³ “Accordingly,” it found, “it was at that point, the need to fashion a response to the motion for summary judgment, this became an ‘exceptional case’ . . . and an award of fees accruing from the time [the defendants] moved for summary judgment motion forward is appropriate.”¹⁸³⁴

These holdings notwithstanding, most fee petitions by prevailing defendants failed to make the grade. In one case in which that result held, the plaintiffs had lost badly, with the court concluding on a defense motion for summary judgment that they had abandoned their mark; the court also disapproved of their aggressive litigation conduct, of which it remarked that “an objectively reasonable attorney who conducted the proper due diligence into the law and the facts of this case would not have pursued these tactics.”¹⁸³⁵ Nevertheless, the plaintiffs had owned a federal registration at the beginning of the litigation, and they also had been aware that the USPTO had cited that registration as the basis of denying registration to the defendant’s mark. Particularly because “whether Plaintiffs had abandoned [their] mark was not a cut-and-dry issue,” the plaintiffs “possessed reasonable grounds to file a likelihood-of-confusion suit against [the defendant].”¹⁸³⁶ Moreover, although the conduct of the plaintiff’s counsel was “unreasonable” and “baseless,” it did not qualify as “vexatious” within the meaning of 28 U.S.C. § 1927.¹⁸³⁷ Indeed, the court found that the meritless nature of at least some of the claims advanced by those counsel actually helped streamline the proceedings somewhat: “[The] inclusion of a counterfeiting charge was so absurd and frivolous that it warranted little work by [the defendant] and was . . . easily dismissed.”¹⁸³⁸

In another case heard in the District of Massachusetts, even a jury finding of abuse of process against the plaintiff did not lead to a successful fee petition by the defendant.¹⁸³⁹ The court declined to hold that the jury’s finding necessarily rendered the case an exceptional one for purposes of Section 35, concluding that “[t]he

1833. *Id.* at 1155 (quoting *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877 (8th Cir. 1994) (per curiam)).

1834. *Id.*

1835. *Specht v. Google, Inc.*, 805 F. Supp. 2d 551, 557 (N.D. Ill. 2011). Those tactics included, but were not limited to: “(1) moving for a temporary restraining order and preliminary injunction . . . ; (2) naming 48 defendants in their Complaint and First Amended Complaint; and (3) inserting allegations of counterfeiting in their Complaint and First Amended Complaint.” *Id.*

1836. *Id.*

1837. *See id.* at 558-60.

1838. *Id.* at 559.

1839. *See Empire Today, LLC v. Nat’l Floors Direct, Inc.*, 788 F. Supp. 2d 7 (D. Mass. 2011).

First Circuit has approved (or at least not disapproved of) a standard that requires that . . . a defendant[] show something less than bad faith, such as a plaintiff's use of groundless arguments, failure to use controlling law, and generally oppressive nature of the case."¹⁸⁴⁰ The defendant's moving papers failed to establish any of these circumstances, and, indeed, the plaintiff had adduced "a substantial amount of evidence on its false advertising and trademark infringement claims."¹⁸⁴¹ These considerations warranted the denial of the defendant's motion for an award of its fees, as did the court's finding that "Plaintiff's conduct did not signify an unfair or unscrupulous, or similarly[] extortionate, character."¹⁸⁴²

Because "[b]ad faith requires more than simply an unpersuasive claim,"¹⁸⁴³ fee petitions grounded in less compelling facts not surprisingly also fell short of the mark.¹⁸⁴⁴ In one case appealed to the Eighth Circuit, the district court identified two bases for its finding of infringement after a bench trial: (1) the lead defendant and its affiliates had violated an injunction entered some years previously against the lead defendant; and (2) circumstances had changed since the earlier dispute.¹⁸⁴⁵ According to the Eighth Circuit's reading of the proceedings below, "[t]he district court found that while the first aspect of the case could be considered exceptional, the second aspect was 'the more significant aspect of the present litigation' and was not in any way exceptional."¹⁸⁴⁶ The appellate court deferred to the district court's judgment to the extent that it observed that "[b]ecause the statute states that the court 'may' award attorney's fees in exceptional cases, the district court retains discretion as to the award of attorney's fees even if it finds a case to be exceptional."¹⁸⁴⁷ Not surprisingly, an application of this standard of review led to an affirmance.¹⁸⁴⁸

1840. *Id.* at 31.

1841. *Id.* at 32.

1842. *Id.*

1843. *Jovani Fashion, Ltd. v. Cinderella Divine, Inc.*, 820 F. Supp. 2d 569, 576 (S.D.N.Y. 2011).

1844. *See, e.g., id.* (denying defense fee petition based on absence of evidence of bad faith and on defendant's voluntary withdrawal of Lanham Act claims in amended complaint).

1845. *See First Nat'l Bank in Sioux Falls v. First Nat'l Bank S.D.*, 679 F.3d 763, 771 (8th Cir. 2012).

1846. *Id.*

1847. *Id.*

1848. *See id.* at 771-72.

(3) Calculation of Attorneys' Fees

Most courts calculating the proper quantum of awards of attorneys' fees did so by undertaking a two-step process. The first step was to determine the "lodestar," or, in other words, the product of multiplying the number of hours reasonably expended on the matter by the reasonable hourly rate for similar work. The second step was to determine whether the resulting lodestar should be adjusted upward or downward. As the Ninth Circuit summarized this methodology:

When it sets a fee, the district court must first determine the presumptive lodestar figure by multiplying the number of hours reasonably expended on the litigation by the reasonable hourly rate. Next, in appropriate cases, the district court may adjust the presumptively reasonable lodestar figure based upon . . . factors . . . that have not been subsumed in the lodestar calculation.¹⁸⁴⁹

Applications of the first step of the lodestar analysis frequently lead to disputes over whether the rates charged by counsel for prevailing parties are reasonable. Some courts over the past year proved unwilling to second-guess the bargains struck by those parties and their attorneys.¹⁸⁵⁰ Thus, for example, the Ninth Circuit declined to hold that rates ranging between \$320 to \$685 per hour were unreasonably high for a case lodged in the District of Nevada after crediting record testimony by the counsel charging them that the rates were "well within the range for comparably-experienced attorneys."¹⁸⁵¹ Another court similarly accepted the \$230, \$285, \$460, and \$495 per hour rates charged by counsel for a prevailing plaintiff, which it deemed "reasonable in comparison to the results of a survey . . . conducted in 2008 by the American Intellectual Property Law Association."¹⁸⁵²

Other courts were more skeptical of the rates of counsel for prevailing parties.¹⁸⁵³ One court opened the inquiry with the observation that "[r]easonable hourly rates are determined by

1849. *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677, 689 (9th Cir. 2012) (quoting *Intel Corp. v. Terabyte Int'l, Inc.*, 6 F.3d 614, 622 (9th Cir. 1993) (citations omitted)) (internal quotation marks omitted).

1850. *See, e.g., Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922, 944 (E.D. Va. 2011) (approving rates charged by counsel for prevailing plaintiff based in part on testimony from local attorney unconnected to case).

1851. *Quoted in Secalt*, 668 F.3d at 689.

1852. *Zynga Game Network Inc. v. Williams*, 100 U.S.P.Q.2d 1550, 1552 (N.D. Cal. 2011).

1853. *See, e.g., Mary Kay Inc. v. Ayres*, 827 F. Supp. 2d 584, 594 (D.S.C. 2011) (lowering proposed rates to \$200 per hour on ground that the court does not have documentation to support a market rate higher than \$200/hour, nor does it have independent knowledge of recent higher fees charged in this geographic area for matters similar to this one").

reference to fees in the community in which the action is pending and to the skill and experience of the attorneys who worked on the matter.”¹⁸⁵⁴ Although the case in question was lodged in the Eastern District of New York, the prevailing plaintiffs’ legal team was staffed with attorneys and paralegals from offices not only from that state but from Texas and Virginia as well. The court acknowledged that “plaintiffs’ counsel’s specialization in intellectual property litigation merits somewhat higher rates than normal for this district . . . ,”¹⁸⁵⁵ but it nevertheless concluded that the requested rates were inconsistent with others previously approved in the jurisdiction. It therefore held that the plaintiffs were entitled to reimbursement at hourly rates of \$375 per hour for two partners who had worked on the case, \$150 per hour for two associates, and \$100 per hour for two paralegals.¹⁸⁵⁶

Beyond requiring an evaluation of the reasonableness of hourly billing rates, the first step of the loadstar analysis also contemplates a review of the quantum of hours to which those rates have been applied. The results of that review often turn on the adequacy of the documentation submitted by prevailing counsel, and, in an unusually large number of cases, that documentation did the job.¹⁸⁵⁷ Courts reaching this conclusion included the Ninth Circuit, which held that, despite the appearance of “conclusory narratives” and block billing in a defense fee petition, “it was not an abuse of discretion for the district court to award the [requested] fees because counsel ‘is not required to record in great detail how each minute of his time was expended.’”¹⁸⁵⁸ Likewise, the Second Circuit affirmed an award of what was apparently the entirety of the fee award sought by a prevailing plaintiff in part because “[the plaintiff] produced more than one hundred pages of complete billing records” and because “[s]ome of the allegedly unnecessary work [challenged by the defendants] in fact resulted from the defendants’ own dilatory treatment of [the plaintiff’s] discovery requests.”¹⁸⁵⁹

1854. *Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc.*, 817 F. Supp. 2d 66, 75 (S.D.N.Y. 2011).

1855. *Id.* at 76.

1856. *See id.* The requested hourly rates were \$650 and \$424 per hour for the partners, \$275 and \$176 per hour for the associates, and \$165 per hour for the paralegals. *See id.*

1857. *See Gen. Nutrition Inv. Co.*, 817 F. Supp. 2d at 76 (“Having reviewed plaintiffs’ submission thoroughly, I am satisfied that the attorneys did not engage in duplicative or unnecessary work, and that they devoted a reasonable amount of time to each task for this type of case.”).

1858. *See Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677, 690 (9th Cir. 2012) (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 437 n.12 (1983)).

1859. *Louis Vuitton Malletier S.A. v. LY USA, Inc.*, 676 F.3d 83, 112 (2d Cir. 2012).

Once a court has determined appropriate billing rates and hours invested into a piece of litigation, the second step of the lodestar analysis is whether the resulting dollar figure should be adjusted upward or downward. As usual, courts differed on the factors properly taken into consideration in that inquiry. For example, one Fourth Circuit district court applied the following factors to determine that no adjustment was necessary: (1) the time and labor expended; (2) the novelty and difficulty of the questions raised; (3) the skill required properly to perform the legal services rendered; (4) the attorneys' opportunity costs in pressing the litigation; (5) the attorneys' expectation at the outset of the litigation; (6) the time limitations imposed by the client or circumstances; (7) the undesirability of the case within the legal community in which the suit arose; (8) the nature and length of the professional relationship between attorney and client; and (9) awards of attorneys' fees in similar cases.¹⁸⁶⁰ In contrast, another district court in the same circuit took into account the following considerations: (1) the time and labor expended by counsel for the prevailing party; (2) the novelty and difficulty of the questions raised; (3) the skill required to perform the legal services rendered properly; (4) any opportunity costs; (5) the customary fee for similar work; (6) the attorney's expectations at the outset of the litigation; (7) the time limitations imposed by the client or circumstances; (8) the amount in controversy and the results obtained; (9) the experience, reputation and ability of the attorney; (10) the undesirability of the case within the legal community in which the suit arose; (11) the nature and length of the professional relationship between attorney and client; and (12) attorneys' fees awards in similar cases.¹⁸⁶¹

A final issue addressed by some courts was the apportionment of fees to particular causes of action.¹⁸⁶² One court explained that:

1860. See *Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922, 943-44 (E.D. Va. 2011). The only one of these factors discussed in any substantive way by the court was the first one, as to which the court concluded that:

Plaintiff's counsel's time on this case [which was resolved by a default judgment] might be seen as high, given that no trial has been held. However, . . . the vast majority of the motions filed by plaintiff have been caused by defendants' own obstructionist behavior. Additional normally unnecessary time was required because of defendants' attempts to evade service of process and counsel's efforts to quantify damages without any meaningful discovery responses from defendants. The summary of fees by litigation category [submitted in support of the fee petition] demonstrates that approximately 40 percent of counsel's time was spent on those issues. Thus, the undersigned recommends that the time and labor expended by plaintiff's counsel be approved as reasonable and necessary.

Id. at 943.

1861. See *Mary Kay Inc. v. Ayres*, 827 F. Supp. 2d 584, 592 (D.S.C. 2011).

1862. See, e.g., *Home Show Tours, Inc. v. Quad City Virtual, Inc.*, 840 F. Supp. 2d 1150, 1156 (D. Minn. 2012) ("The emerging rule appears to be that the Court must endeavor to

As a general matter, the prevailing party in a case involving Lanham Act and non-Lanham Act claims can recover attorneys' fees [under Section 35] only for work related to the Lanham Act claims and cannot recover legal fees incurred in litigating non-Lanham Act claims unless the Lanham Act claims and non-Lanham Act claims are so intertwined that it is impossible to differentiate between work done on claims.

... The impossibility of exact apportionment does not relieve the district court of its duty to make some attempt to adjust the fee award in an effort to reflect an apportionment. In other words, apportionment or an attempt at apportionment is required unless the court finds the claims are so inextricably intertwined that even an estimated adjustment would be meaningless.¹⁸⁶³

Although granting the prevailing plaintiffs' fee petition, the court therefore limited the plaintiffs' actual recovery to fees incurred while pursuing their federal claims.¹⁸⁶⁴

g. Taxation of Costs

In addition to authorizing awards of actual damages and statutory damages, as well as accountings of profits, Section 35 permits the taxation of costs against the losing party in litigation under the Lanham Act. The issue of what constitutes such a party took center stage in an appeal to the Sixth Circuit from a post-bench-trial opinion finding liability for infringement but also rejecting the plaintiff's likelihood-of-dilution claim and declining to award any damages.¹⁸⁶⁵ According to the defendants, this partial victory precluded the plaintiff from being considered a prevailing party or, alternatively, mandated an apportionment of costs between the plaintiff's successful and unsuccessful claims. Rejecting these arguments, the court held that the plaintiff was indeed a prevailing party because it had received at least some relief and because that relief had resulted in a judicially sanctioned change in the legal relationship between the parties, namely, the district court's entry of a permanent injunction against any further infringement by the defendants.¹⁸⁶⁶ Because

award fees incurred solely on the Lanham Act claims if that can be accomplished under the circumstances of the case.”).

1863. *City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087, 1109 (S.D. Cal. 2012) (internal quotation marks omitted).

1864. *See id.*

1865. *See Maker's Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 679 F.3d 410 (6th Cir. 2012).

1866. *See id.* at 423-24.

“[the plaintiff] did not need to win every claim to be considered the prevailing party,” the district court had not abused its discretion by taxing the costs it had to the defendants.¹⁸⁶⁷

Although what constitutes a taxable cost is (or should be) governed by 28 U.S.C. § 1920,¹⁸⁶⁸ the Ninth Circuit invoked its own rule that “attorney’s fees under the Lanham Act may also include reasonable costs that the [requesting] party cannot recover as the ‘prevailing party.’”¹⁸⁶⁹ According to the appellate court’s reading of the record, “[t]he district court awarded \$83,229.49 for twelve such categories of costs, including ‘legal research,’ ‘deposition expenses,’ and ‘expert witness fee.’”¹⁸⁷⁰ The district court had not necessarily erred by holding that these costs could be taxed to the losing party; nevertheless, “no further details or itemization was provided,”¹⁸⁷¹ and, as a consequence, “[t]he district court abused its discretion by failing to confirm their reasonableness, and also by failing to ‘determine whether it is the prevailing practice in the given community for lawyers to bill those costs separate from their hourly rates.’”¹⁸⁷² The case therefore was remanded for the district court to address those issues.

The same court reached a similar result in the same case with respect to potentially taxable costs that actually *were* contemplated by 28 U.S.C. § 1920, namely, those associated with interpreters. Some of those costs were occasioned by the differing Chinese dialects spoken by witnesses and an interpreter, which necessitated the retention of a second interpreter for four depositions. Although the appellate court declined to disturb the taxation of those costs, it did hold that the district court had abused its discretion by allowing the prevailing defendants to recover the fees charged by a Chinese-speaking attorney “providing informal translation services.”¹⁸⁷³ As to those proposed costs, the court held that “[s]ince there is no evidence that [the] attorney . . . was qualified to provide translation services, her attorney’s fees were not properly charged as ‘interpreter costs.’”¹⁸⁷⁴ Moreover, it also overturned the district court’s taxation of “an extra \$738.90 in deposition costs that are not substantiated by the [defendants’] bills.”¹⁸⁷⁵

1867. *Id.* at 424.

1868. 28 U.S.C. § 1920 (2012).

1869. *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 668 F.3d 677, 690 (9th Cir. 2012).

1870. *Id.*

1871. *Id.*

1872. *Id.* (quoting *Grove v. Wells Fargo Fin. Cal., Inc.*, 606 F.3d 580, 583 (9th Cir. 2010)).

1873. *See id.*

1874. *Id.*

1875. *Id.*

Other courts undertook more routine inquiries into what properly constituted taxable costs.¹⁸⁷⁶ One began by approving the prevailing plaintiffs' request for taxation of the \$350 filing fee for the action.¹⁸⁷⁷ It then concluded that the plaintiff was entitled to reimbursement of \$693.58 for service of process charges, \$7.98 for photocopying costs, \$50.63 in courier expenses, \$23.75 in transportation bills, and \$1.60 in long-distance charges.¹⁸⁷⁸ In the court's view, "[t]hese are reasonable out-of-pocket expenses that are customarily compensable."¹⁸⁷⁹

E. The Relationship Between Courts and the United States Patent and Trademark Office

1. Court Review of, and Deference to, United States Patent and Trademark Office Decisions

Courts are most commonly invited 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 may have an additional 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 invite courts to defer to actions taken by examining attorneys in processing applications filed by one of the parties, or, less commonly, filed by third parties.

Two opinions to address the issue of proper deference to prior USPTO actions did so in the context of scenario number one. In the first case, a dissatisfied litigant before the Board appealed under Section 21(b)(1) of the Act¹⁸⁸⁰ to a federal district court, which held on the parties' cross-motions for summary judgment that the Board had erred.¹⁸⁸¹ That decision itself was appealed to the

1876. *See, e.g.,* *Mary Kay Inc. v. Ayres*, 827 F. Supp. 2d 584, 595 (D.S.C. 2011) (taxing "[f]iling fees, service fees for service or summons and complaint, and charges for document printing/photocopying" but holding that "[n]one of the remaining fees requested, for private investigators' fees, telephone calls, postage, and Pacer fees, is listed among allowable expenses in 28 U.S.C. § 1920 or Local Civil Rule 54.03"); *Hanley-Wood LLC v. Hanley Wood LLC*, 783 F. Supp. 2d 147, 154 (D.D.C. 2011) (awarding "costs in the amount of \$500.00 to cover the filing fee and process fees for this case").

1877. *See* *Gen. Nutrition Inv. Co. v. Gen. Vitamin Ctrs., Inc.*, 817 F. Supp. 2d 66, 76 (S.D.N.Y. 2011).

1878. *See id.*

1879. *Id.*

1880. 15 U.S.C. § 1071(b)(1) (2012).

1881. *See* *Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int'l Software, Inc.*, 653 F.3d 448 (7th Cir. 2011).

Seventh Circuit, which vacated the district court's order and remanded the action for a new trial. Although whether it actually affected the outcome of the appeal is debatable, the standard of review adopted by the appellate court is worth reproduction at length. The court first observed that:

[T]rademark law provides two avenues for review of TTAB decisions. The road not taken by [the plaintiff] was a direct appeal to the Federal Circuit, which would have been restricted to the record developed before the TTAB and would have focused on whether substantial evidence supported the agency's decision. The option [the plaintiff] chose was a new action in the district court. One advantage of this path for the state was the ability to expand the record by offering new evidence to fend off [the defendant's] cancellation claim. A challenge to the TTAB's decision in a district court is "both an appeal and a new action, which allows the parties to request additional relief and to submit new evidence." In such an action, the district court wears two hats: "[it] is an appellate reviewer of facts found by the TTAB and is also a fact-finder based on new evidence introduced to the court."¹⁸⁸²

It then held that:

It was [the defendant] that prevailed before the TTAB, and so the district court could not have ruled in [the plaintiff's] favor without concluding either that no finder of fact could have thought that substantial evidence supported the TTAB's determination, or that a legal error clouded the agency's understanding of the likelihood-of-confusion issue. . . . Because [the plaintiff] was the moving party, it would have to point to compelling facts that it neglected to bring to the TTAB's attention, and those facts had to be enough—viewed in the appropriate light—to require judgment in [the plaintiff's] favor even if credit was given to all the facts the TTAB found during its proceedings.¹⁸⁸³

The second case presented an appeal to a Fourth Circuit district court from the Board's cancellation of the counterclaim defendant's registration.¹⁸⁸⁴ The counterclaim plaintiff responded to the appeal by asserting allegations of infringement, which a jury accepted. As an initial matter, the court addressed the differing likelihood-of-confusion factors applied by the Board, on the one

1882. *Id.* at 451-52 (quoting *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 673, 674, 675 & n.9 (7th Cir. 2001)).

1883. *Id.* at 452.

1884. *See Coryn Grp. II LLC v. O.C. Seacrets Inc.*, 101 U.S.P.Q.2d 1547 (D. Md. 2011).

hand, and by the jury, on the other,¹⁸⁸⁵ it resolved the potential conflict between the two by holding that “on review this Court will use the jury’s factors, and determine whether the result comports with the TTAB’s conclusion.”¹⁸⁸⁶ Without expressly examining those factors, it then went to hold that “[t]he jury had to determine that there was a likelihood of confusion to find infringement. Accordingly, because the jury necessarily found a likelihood of confusion of the marks, the Court is bound by that finding.”¹⁸⁸⁷

A final opinion of note came in a case with facts falling into the third scenario.¹⁸⁸⁸ In it, the plaintiff owned a federal application that had successfully navigated the *ex parte* approval process, only to be opposed by the defendant once the application was published in the *Official Gazette*. In a subsequent battle over the applied-for mark’s distinctiveness, the court acknowledged that “it is true that the full weight of the presumption of validity afforded to marks that have traversed the entirety of the USPTO process is not automatically conferred on marks that are stalled in the opposition period”¹⁸⁸⁹ Still, however, it also concluded that “[t]he mere fact that a mark was passed to publication has been said to be entitled to some weight.”¹⁸⁹⁰ As a consequence, “[i]n light of the fact that [the plaintiff’s mark] has been approved for registration by the USPTO, the Court accords weight to the USPTO’s finding that the mark is more than merely descriptive.”¹⁸⁹¹

2. Judicial Authority Over Federal Registrations and Applications

Section 37 of the Lanham Act provides that “[i]n any action involving a registered mark,” the court “may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”¹⁸⁹² Nevertheless, as the Second Circuit concluded in an

1885. The Board applied a five-factor test, while the jury applied nine factors making up one of the two tests for likely confusion extant in the Fourth Circuit. *See id.* at 1550 n.10.

1886. *Id.* at 1550.

1887. *Id.* (citation omitted).

1888. *See* *CJ Prods. LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 151 (S.D.N.Y. 2011).

1889. *Id.* at 152.

1890. *Id.* (alteration in original) (quoting 3A Louis Altman & Malla Pollack, *Callman on Unfair Competition, Trademarks, and Monopolies* § 4:57 (4th ed. 2011)).

1891. *Id.* at 152-53.

1892. 15 U.S.C. § 1119 (2012). Although Section 37 on its face refers to extant registrations, one court invoked it in an order requiring the USPTO to approve a series of applications filed by the lead plaintiff and to reject a series of applications to register

opinion subsequently affirmed by the Supreme Court, Section 37 does not necessarily authorize defendants to undertake free-ranging challenges to plaintiffs' portfolio of registrations.¹⁸⁹³ The appellate court therefore declined to allow a defendant to pursue a counterclaim for cancellation after the plaintiff dropped its claims related to the registered mark against the defendant and also executed a "covenant not to sue" disavowing any intent to resurrect those claims. In sustaining the counterclaim's dismissal, the Second Circuit held that "[i]n any action involving a registered mark" qualification to Section 37's grant of authority "plainly narrows the circumstances in which cancellation may be sought—namely, in connection with 'a properly instituted and otherwise jurisdictionally supportable action involving a registered mark.'"¹⁸⁹⁴ As a consequence, "a claim for trademark [registration] cancellation under [Section 37] is insufficient to support federal jurisdiction where a covenant not to sue has resolved the underlying infringement action."¹⁸⁹⁵

Cases in which claims under Section 37 *have* moved forward have historically involved requests for the cancellation of registrations of marks that are confusingly similar to those of prior users,¹⁸⁹⁶ that lack distinctiveness,¹⁸⁹⁷ or that have been abandoned. Nevertheless, courts have increasingly been invited to opine on whether owners of federal registrations and applications have committed fraud on the USPTO; more recently, they also have been provided with opportunities to examine the extent to which applicants filing intent-to-use applications actually have the requisite intent to use their marks in connection with the goods and recited in the applications.

For the most part, the resulting opinions generally have declined to disturb the validity of registrations or applications targeted by these theories, with one court's disposition of

conflicting marks filed by the defendant. *See City of Carlsbad v. Shah*, 850 F. Supp. 2d 1087, 1117 n.24 (S.D. Cal. 2012) (referring to prior order).

The trademark acts of many states contain provisions similar to Section 37. *See, e.g.*, La. Rev. Stat. § 51:219 (2003); *see also Firefly Digital Inc. v. Google Inc.*, 817 F. Supp. 2d 846, 867-68 (W.D. La. 2011) (ordering cancellation of Louisiana registrations covering claimed marks found as a matter of law to be generic).

1893. *See Nike, Inc. v. Already, LLC*, 663 F.3d 89 (2d Cir. 2011), *aff'd*, No. 11-892, 2013 WL 85300 (U.S. Jan. 9, 2013).

1894. *Id.* at 98 (quoting *Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 260 (S.D.N.Y. 1960)).

1895. *Id.* at 99.

1896. *See, e.g.*, *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 712-13 (S.D.N.Y. 2011) (declining to dismiss counterclaim for cancellation at pleadings stage).

1897. *See, e.g., Firefly Digital*, 817 F. Supp. 2d at 867 ("[W]hen a court determines that a mark is either a generic term or a descriptive term lacking secondary meaning, the purposes of the Lanham Act are well served by an order canceling the mark's registration.").

allegations of fraudulent procurement coming on a motion to dismiss.¹⁸⁹⁸ The plaintiff owned two registrations of the BLUE MARTINI mark for restaurant, bar, and nightclub services; the first registration depicted the mark in stylized form, while the second, which issued only after the plaintiff made a showing of acquired distinctiveness under Section 2(f),¹⁸⁹⁹ depicted the mark in standard-character format. The plaintiff supported the application maturing into the second registration with a specimen showing the applied-for mark in the stylized form reflected in the first registration and accompanied by a ® symbol. According to the defendants, the plaintiff's choice of specimen reflected an intent to mislead the USPTO into believing that the plaintiff already owned a registration of its mark. The court rejected this argument, noting that in context "it is obvious that Plaintiff meant the registration symbol to reference the logo. Had the PTO interpreted the registration symbol as referring to the words 'Blue Martini,' it surely would have requested clarification as to why Plaintiff was submitting an application for a mark it already owned."¹⁹⁰⁰ In addition, "[e]ven if the use of the registration symbol were improper, Defendants have not proffered any reason to believe that Plaintiff attached the registration symbol next to 'Blue Martini' with intent to deceive the PTO or the public."¹⁹⁰¹

The defendants also grounded their challenge to the plaintiff's second registration in the theory that the plaintiff had supported its showing of acquired distinctiveness with the inaccurate claim that it had the exclusive right to use the mark. The court saw no reason to let that notion proceed beyond the pleadings stage:

In evaluating a [claim of acquired distinctiveness], the PTO considers whether the mark has become distinctive through . . . "substantially exclusive and continuous use in commerce." Therefore, the existence of other bars bearing the name "Blue Martini" does not militate against the granting of a [registration], so long as the party seeking a [registration] can demonstrate substantial exclusivity.¹⁹⁰²

The same result held with respect to the defendants' claim that the plaintiff had fraudulently misrepresented the number of clubs it intended to open under the mark. Although the inaccuracy of the plaintiff's declaration testimony on this issue was beyond dispute—the testimony referred to what the court described as

1898. See *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705 (S.D.N.Y. 2011).

1899. 15 U.S.C. § 1052(f) (2012).

1900. *Quality Serv. Grp.*, 831 F. Supp. 2d at 710.

1901. *Id.*

1902. *Id.* at 711 (quoting 15 U.S.C. § 1052(f) (2006)).

“the logical impossibility of opening four clubs in five states”¹⁹⁰³—that was of little consequence. Hurdling over the permissive language of Section 2(f),¹⁹⁰⁴ the court held that the representation in the testimony was irrelevant as a matter of law. Under its reading of the statute, “[i]n determining whether a mark is distinctive, the PTO can *only* consider use in commerce ‘for the five years before the date on which the claim of distinctiveness is made.’”¹⁹⁰⁵ Consequently, “[e]ven accepting Defendants’ allegation that Plaintiff deliberately misled the PTO in asserting that it had leases for additional locations, the PTO’s decision to grant [a registration to the] . . . mark would not be affected.”¹⁹⁰⁶

The court then turned its attention to a final creative (if nothing else) argument advanced by the defendants, which was that a disclaimer of the words “blue martini” from the plaintiff’s first registration necessarily rendered the plaintiff’s claims of acquired distinctiveness during the prosecution of its second registration fraudulent. The court once again availed itself of the Lanham Act’s express text for guidance, this time invoking Section 6(b).¹⁹⁰⁷ Because that section provides that “[n]o disclaimer . . . shall prejudice or affect . . . [the registrant’s] right of registration on another application if the disclaimed matter be or shall have become distinctive of his goods or services,”¹⁹⁰⁸ it barred the defendants’ attack on the second registration as a matter of law. Dismissal for failure to state a claim therefore was appropriate.¹⁹⁰⁹

Another defendant’s assertion of fraudulent procurement based on inaccurate averments of a bona fide intent to use during the application process similarly fell short of the mark on summary judgment.¹⁹¹⁰ The plaintiff asserted rights to four registrations, each of which it had acquired from a predecessor,

1903. *Id.*

1904. Section 2(f) provides that the USPTO “may accept as prima facie evidence that [an applied-for] 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.” 15 U.S.C. § 1052(f). It typically is interpreted as adopting a flexible standard, rather than a bright-line rule. Specifically, “the language of the statute is permissive, and the weight to be accorded this kind of evidence depends on the facts and circumstances of the particular case.” *In re Encco Display Sys. Inc.*, 56 U.S.P.Q.2d 1279, 1286 (T.T.A.B. 2000); see also *In re Udor U.S.A. Inc.*, 89 U.S.P.Q.2d 1978, 1986 (T.T.A.B. 2009) (concluding that, in light of widespread third-party use of similar designs, “a mere claim of five years of use is insufficient”).

1905. *Quality Serv. Grp.*, 831 F. Supp. 2d at 711-12 (quoting 15 U.S.C. § 1052(f)) (emphasis added).

1906. *Id.* at 712.

1907. 15 U.S.C. § 1056(b) (2012).

1908. *Id.*

1909. See *Quality Serv. Grp.*, 831 F. Supp. 2d at 711.

1910. See *Hokto Kinoko Co. v. Concord Farms, Inc.*, 810 F. Supp. 2d 1013 (C.D. Cal. 2011).

each of which had matured from an intent-to-use application, and each of which was less than five years old at the time of the litigation.¹⁹¹¹ Having admitted that the applications recited goods that its predecessor did not intend to sell under the marks, the plaintiff amended the resulting registrations to delete the problem goods. Because the registrations might otherwise have been subject to attack for want of a bona-fide intent to use,¹⁹¹² the amendments left the defendant to pursue the theory that the inaccurate averments rose to the level of fraud.

The court was unconvinced, and it entered summary judgment in the plaintiff's favor.¹⁹¹³ The applications in question had been based on corresponding applications filed in the Japanese trademark office, and the court credited the plaintiff's argument that the plaintiff's predecessor had been unaware of the differing requirements for registration in the two countries. The court also found significant the defendant's inability to identify any damage it might have suffered from the USPTO's reliance on the averments in the application. It ultimately concluded that:

The Court finds that with uncontroverted evidence that [the plaintiff's predecessor] and its U.S. trademark attorney did not

1911. The registrations at issue were Reg. No. 3210268 (issued February 20, 2007), Reg. No. 3182866 (issued December 10, 2006), Reg. No. 3179700 (issued December 15, 2006), and Reg. No. 3182867 (issued December 12, 2006); the date of the opinion rejecting the defendant's allegations of fraudulent procurement was August 16, 2011.

1912. Prior to the fifth anniversary of its issuance, a registration can be cancelled for any reason that would have precluded its issuance in the first place, *Int'l Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1091 (Fed. Cir. 1984), and a lack of a bona intent to use the applied-for mark is one such ground under Section 1(b) of the Act. 15 U.S.C. § 1051(b) (2012). Moreover, a challenger attacking a registration on any ground other than fraudulent procurement need not carry its burden by clear and convincing evidence; on the contrary, a mere preponderance of the evidence and testimony will do even where registrations that have passed their fifth anniversary are concerned. *See, e.g., Cmty. of Christ Copyright Corp. v. Devon Park Restoration Branch of Jesus Christ's Church*, 634 F.3d 1005, 1011 (8th Cir. 2011) (“[The defendants] [have] the burden of proving by a preponderance of the evidence that the registered marks are generic and that their registrations should thus be cancelled.”); *Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, 586 F.3d 1352, 1356 (Fed. Cir. 2009) (holding, in cancellation action against nonincontestable registration that “a party seeking to cancel a Section 2(f) registration must produce sufficient evidence for the Board to conclude, in view of the entire record in the cancellation proceeding, that the party has rebutted the mark's presumption of acquired distinctiveness by a preponderance of the evidence”); *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1023 (Fed. Cir. 1989) (“[I]n a cancellation for abandonment, as for any other ground, the petitioner bears the burden of proof . . . to establish the case for cancellation by a preponderance of the evidence.”).

1913. The standard applied by the court was a strict one: “[T]o prove fraud on the USPTO, the party seeking cancellation must show ‘a false representation regarding a material fact, the registrant's knowledge or belief that the representation is false, the intent to induce reliance upon the misrepresentation, and reasonable reliance thereon, and damages.’” *Hokto Kinoko*, 810 F. Supp. 2d at 1041 (quoting *Spin Master, Ltd. v. Zobmondo Entm't, LLC*, 778 F. Supp. 2d 1052, 1061 (C.D. Cal. 2011) (quoting *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990))).

know or believe the bona fide intent to use statements to be false, no intent to deceive the USPTO, and no harm to [the defendant], judgment as a matter of law that the trademark registrations are valid and enforceable is warranted.¹⁹¹⁴

The plaintiff's failure to support its position with expert testimony did not create a factual dispute where one otherwise did not exist.¹⁹¹⁵

Another district court found as a matter of law that a registration with a Section 66 basis¹⁹¹⁶ and based on a foreign filing by the Spanish registrant was not invalid even though the registrant had not engaged in use in commerce as of the filing date of its application.¹⁹¹⁷ The court was equally unimpressed with the claim that the registrant had applied for registration despite its alleged knowledge of the defendants' geographically limited rights to the same mark; instead, the court concluded, the application had been filed as part of the registrant's global business operations.¹⁹¹⁸

Of course, not all claims of fraudulent procurement failed, and, indeed, a different challenger to the validity of its opponent's registration had better luck.¹⁹¹⁹ The plaintiff in that case was a manufacturer of mulch products, which discovered that its distributor had registered a mark the plaintiff believed it owned. In granting the plaintiff's motion for a preliminary injunction, the court applied a four-factor test to resolve the parties' competing claims of ownership:

In order to determine superior ownership a court should consider the following factors: (1) which party invented and first affixed the mark on to the product, (2) which party's name appeared with the trademark; (3) which party maintained the quality and uniformity of the product; and (4) with which party the public identified the product and to whom purchases [sic] made complaints.¹⁹²⁰

Each of these factors lined up in the plaintiff's favor,¹⁹²¹ and the defendant's case was not helped by its having submitted an altered

1914. *Id.* at 1043.

1915. *See id.* at 1043-44.

1916. *See* 15 U.S.C. § 1141e (2012).

1917. *See* Dorpan, S.L. v. Hotel Melia, S.L., 851 F. Supp. 2d 398, 409 (D.P.R. 2012).

1918. *See id.*

1919. *See* Country Fare LLC v. Lucerne Farms, 102 U.S.P.Q.2d 1311 (D. Conn. 2011).

1920. *Id.* at 1317 (quoting *Tactica Int'l v. Atl. Horizon Int'l*, 154 F. Supp. 2d 586, 600 (S.D.N.Y. 2001)).

1921. *Id.* at 1317-18.

sample of the plaintiff's packaging in support of its application.¹⁹²² The defendant was deprived of the benefit of its registration:

Although a high burden applies to the Plaintiff's claim that Defendant committed fraud on the Trademark Office, the Court finds that the Plaintiff has clearly met its burden of persuasion [by] presenting clear and convincing evidence that the Defendant secured a trademark [registration of] the [disputed] mark through fraud, as reflected [in] testimonial evidence and supporting exhibits, evincing that the Plaintiff had clear rightful ownership to the [disputed] trademark and that the defendant made material misrepresentations in its application to the Trademark Office . . . despite its knowledge of the Plaintiff[']s rightful ownership of the mark.¹⁹²³

Allegations of fraudulent procurement were not the only prosecution-related issues to attract attention under Section 37. Rather, just as the Trademark Trial and Appeal Board has taken an increased interest in the accuracy of averments contained in intent-to-use applications, so too did a Ninth Circuit district court over the past year.¹⁹²⁴ The results were disastrous for the plaintiffs, which had placed two nonincontestable single-class registrations in play: Not only did the court conclude that the plaintiffs had lacked a bona fide intent to use their mark in connection with all the goods recited in the intent-to-use applications that had matured into their registrations, it also held that that defect invalidated the registrations in their entirety. Citing to the Board's opinion in *Spirits International B.V. v. S.S. Taris Zeytin Ve Zeytinyagi Tarim satis Kooperatiferi Birliigi*,¹⁹²⁵ the court explained that "proof of a lack of bona fide intent to use even one item in a class of goods on an intent-to-use application invalidates the application for that entire class."¹⁹²⁶

Finally, two courts addressed their authority under Section 37 to order changes to registrations owned or formerly owned by the litigants before them. The Second Circuit chose to exercise that authority, holding that a registration covering the color red applied to shoe soles should be restricted to cover only those red soles used with contrasting uppers: According to the court, "the record fails to demonstrate that the secondary meaning of the Red Sole Mark extends to uses in which the sole does not contrast with the upper—in other words, when a red sole is used on a

1922. *See id.* at 1314.

1923. *Id.* at 1317.

1924. *See Bobosky v. adidas AG*, 843 F. Supp. 2d 1134 (D. Or. 2011).

1925. 99 U.S.P.Q.2d 1545, 1547 n.3 (T.T.A.B. 2011)

1926. *Bobosky*, 843 F. Supp. 2d at 1141.

monochromatic red shoe.”¹⁹²⁷ In contrast, a federal district court declined to restrict a different registration in an appeal from a Board order cancelling the registration, because, in the court’s view, “the proposed restrictions would not avoid the likelihood of confusion shown by the marks’ similarity, evidence of actual confusion, and the anticipated overlapping markets [of the parties].”¹⁹²⁸

F. Constitutional Matters

1. The First Amendment

a. The First Amendment Right to Free Expression

Courts attempting to accommodate free speech principles in trademark cases typically invoke the Second Circuit’s holding in *Rogers v. Grimaldi*,¹⁹²⁹ to bar challenges to the titles of artistic works unless the titles have no artistic relevance to the underlying works or, if they do have some artistic relevance, they are explicitly misleading.¹⁹³⁰ In recent years, however, the *Rogers* test has increasingly been applied to protect the underlying content of artistic works, and that approach was taken by the Eleventh Circuit in a challenge by the University of Alabama against an artist who memorialized famous scenes from the history of the university’s football program in paintings, prints, and calendars.¹⁹³¹ In holding that these uses were nonactionable as a matter of law, the court explained that:

In this case, we readily conclude that [the artist’s] paintings, prints, and calendars are protected under the *Rogers* test. The depiction of the University’s uniforms in the content of these items is artistically relevant to the expressive underlying works because the uniforms’ colors and designs are needed for a realistic portrayal of famous scenes from Alabama football history. Also there is no evidence that [the artist] ever marketed an unlicensed item as “endorsed” or “sponsored” by the University, or otherwise explicitly stated that such items were affiliated with the University. [The artist’s] paintings, prints, and calendars very clearly are embodiments of artistic expression, and are entitled to full

1927. *Christian Louboutin S.A. v. Yves Saint Laurent Ams. Holdings, Inc.*, 696 F.3d 206, 227 (2d Cir. 2012).

1928. *Coryn Grp. II LLC v. O.C. Seacrets Inc.*, 101 U.S.P.Q.2d 1547, 1550 (D. Md. 2011).

1929. 875 F.2d 994 (2d Cir. 1989).

1930. *See id.* at 999.

1931. *See Univ. of Ala. Bd. of Trustees v. New Life Art, Inc.*, 683 F.3d 1266 (11th Cir. 2012).

First Amendment protection. The extent of his use of the University's trademarks is their mere inclusion (their necessary inclusion) in the body of the image which [the artist] creates to memorialize and enhance a particular play or event in the University's football history.¹⁹³²

Any confusion that might be created by the use of the university's indicia of origin therefore was "so outweighed by the interest in artistic expression as to preclude' any violation of the Lanham Act."¹⁹³³

The First Amendment also made an appearance, although in less dispositive fashion, in an action brought by basketball great Michael Jordan against a Chicago-based grocery store chain that had designed (but not purchased) a page in a *Sports Illustrated* tribute published on the occasion of Jordan's induction into the Naismith Memorial Basketball Hall of Fame.¹⁹³⁴ The page depicted a pair of basketball shoes with Jordan's number on their tongues, a congratulatory message, and the lead defendant's logo.¹⁹³⁵ The parties' cross motions for summary judgment agreed that a critical threshold issue was whether the page's contents were commercial or noncommercial speech, but they predictably disagreed as to how that issue should be resolved.

The court sided with the lead defendant for a number of reasons. To begin with, "[i]t is difficult to see how [the lead defendant's] page could be viewed, even with the benefit of multiple layers of green eyeshades, as proposing a commercial transaction";¹⁹³⁶ in particular, "[a]t the most basic level, the page does not propose any kind of commercial transaction, as readers would be at a loss to explain what they have been invited to buy."¹⁹³⁷ In addition, the page could not be considered an "advertisement" because "[t]he reader would see the . . . page for precisely what it is—a tribute by an established Chicago business to Chicago's most accomplished athlete."¹⁹³⁸ Likewise, the page did

1932. *Id.* at 1278-79.

1933. *Id.* (quoting *Rogers*, 875 F.2d at 1001).

1934. *See* *Jordan v. Jewel Food Stores, Inc.*, 851 F. Supp. 2d 1102 (N.D. Ill. 2012).

1935. The message read as follows:

A Shoe In! After six NBA championships, scores of rewritten record books and numerous buzzer beaters, Michael Jordan's elevation in the Basketball Hall of Fame was never in doubt! Jewel-Osco [the lead defendant] salutes # 23 on his many accomplishments as we honor a fellow Chicagoan who was "just around the corner" for so many years.

Quoted in *id.* at 1104.

1936. *Id.* at 1107.

1937. *Id.*

1938. *Id.* at 1110.

not refer to a specific good or service offered by the lead defendant.¹⁹³⁹ Finally, “[the lead plaintiffs] economic motivation for producing and placing its page in the commemorative issue does not render the page commercial speech” in the absence of “something more, and that something is missing from this case.”¹⁹⁴⁰ The page therefore qualified as “noncommercial speech which receives full First Amendment protection,”¹⁹⁴¹ although the court deferred a decision on the scope of that protection pending further briefing by the parties.¹⁹⁴²

A Wisconsin trial court took a less expansive interpretation of the First Amendment in a case in which the plaintiffs challenged the “purchase” by competitors of the plaintiffs’ names as the triggers for the top “sponsored links” offered by Google’s, Yahoo!’s, and Bing’s search engines.¹⁹⁴³ The defendants argued that their conduct was protected free speech, but the court held on the parties’ cross-motions for summary judgment that:

The argument fails because the use of a computerized system to sequence search results is not speech. Plaintiffs take no issue with the message or content of the text of defendants’ sponsored link. Nor do plaintiffs object to anything on defendants’ website. This lawsuit involves the hidden process which causes the link to appear at all. That process is content neutral. It is not information; nor is it a message of any sort. It is not speech, commercial or otherwise. Therefore, it is not subject to the protection of the First Amendment.¹⁹⁴⁴

b. The First Amendment Right to Petition

Under *Eastern Rail Road Presidents Conference v. Noerr Motor Freight, Inc.*,¹⁹⁴⁵ and *United Mine Workers v. Pennington*,¹⁹⁴⁶ petitioning government bodies 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 that the defendant’s conduct was a “sham” in the sense that (1) it was objectively baseless and (2) it was undertaken with a subjective

1939. *See id.*

1940. *Id.* at 1111.

1941. *Id.*

1942. *See id.* at 1112.

1943. *See Habush v. Cannon*, 100 U.S.P.Q.2d 1890 (Wis. Cir. Ct. 2011).

1944. *Id.* at 1893-94.

1945. 365 U.S. 875 (1961).

1946. 381 U.S. 657 (1965).

intent to harm the plaintiff.¹⁹⁴⁷ If a plaintiff cannot carry its burden under the first prong of this test, it will not be entitled to discovery bearing on the second.¹⁹⁴⁸

An aggressive application of the *Noerr-Pennington* doctrine at the pleadings stage came in an action to protect four federally registered marks consisting in part of the word “pods” for metal storage containers for the transportation of goods.¹⁹⁴⁹ The defendant responded to the plaintiff’s complaint with a flurry of federal and Florida state-law counterclaims and affirmative defenses, many of them dependent on the allegedly meritless nature of the plaintiff’s assertion of protectable trademark rights against the defendant and third parties, including the plaintiff’s registration of its marks in the USPTO. Granting the plaintiff’s motion to dismiss for failure to state claims upon which relief could be granted, the court first took aim at the defendant’s theory that the plaintiff’s registration of its marks without disclaiming “pods” constituted unlawful anticompetitive conduct: To the contrary, the court held, “[b]ecause the U.S. Patent and Trademark Office is an administrative agency, the act of applying for and registering trademarks is protected by Noerr-Pennington immunity.”¹⁹⁵⁰ The defendant’s challenge to the plaintiff’s practice of sending demand letters referencing its trademark rights met a similar fate, with the court concluding that “pre-litigative activity such as sending cease-and-desist letters is . . . immunized.”¹⁹⁵¹ Likewise, because

1947. See generally *Profl Real Estate Investors, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 60-61 (1993).

1948. See *id.* at 65.

1949. See *PODS Enters. v. ABF Freight Sys. Inc.*, 100 U.S.P.Q.2d 1708 (M.D. Fla. 2011).

1950. *Id.* at 1712. As to the plaintiff’s success in registering its marks, the court held that:

[The defendant] offers a number of facts to support its allegation that the “pods” mark is or has become generic. [The defendant] further alleges that [the plaintiff] is well aware that it “does not own protectable or valid trademark rights to exclusively use the term ‘pods’ to describe moving storage containers,” and therefore concludes that [the plaintiff] filed the instant action in bad faith.

The fact remains, however, that [the plaintiff] holds four registered trademarks—indeed, [the defendant] seeks cancellation of the registrations. Registration of a mark provides the plaintiff with a presumption that the mark is not generic, which may be overcome by proof of genericness. Even if [the defendant’s] allegations ultimately prove that the “pods” mark has become generic, they do not show at this juncture that [the plaintiff’s] lawsuit is objectively baseless.

Id. (citations omitted) (internal quotation marks omitted).

1951. *Id.* Citing controlling Eleventh Circuit authority, the court explained that:

Given that petitioning immunity protects . . . litigation, it would be absurd to hold that it does not protect those acts reasonably and normally attendant upon effective litigation. . . . If litigation is in good faith, a token of that sincerity is a warning that it will be commenced and a possible effort to compromise the dispute.

Id. at 1712-13 (quoting *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1560 (11th Cir. 1992)).

“the constitutional protections embodied in the Noerr-Pennington doctrine extend to state laws proscribing anticompetitive activity,” the plaintiff’s state antitrust claims also failed as a matter of law.¹⁹⁵² Finally, the defendant’s assertion of trademark misuse and abuse of process fell short as well on the ground that “[t]he Noerr-Pennington doctrine applies to affirmative defenses.”¹⁹⁵³

In a different case in which a state law claim was trumped at the pleadings stage by an application of *Noerr-Pennington*, a third-party retailer responded to a demand letter from the counterclaim defendant by discontinuing its advertising and sale of the counterclaim plaintiff’s goods.¹⁹⁵⁴ This led the counterclaim plaintiff to assert a cause of action under Minnesota law for tortious interference with contract, but that cause of action fell victim to a Rule 12(b)(6) motion to dismiss. In concluding that the plaintiff’s motion was well-taken, the court rejected the merits of the counterclaim plaintiff’s arguments that the demand letter had been unjustified because it did not accuse the counterclaim plaintiff of using a mark identical to the counterclaim defendant’s registered mark,¹⁹⁵⁵ and that the letter had been sent in bad faith.¹⁹⁵⁶

This holding in turn led to a second one that the counterclaim defendant’s transmittal of its letter was protected conduct under *Noerr-Pennington*. En route to this conclusion, the court dismissed the counterclaim plaintiff’s claim that the letter was distinguishable from the filing of an actual suit:

In practice, the enforcement of intellectual property rights often begins with a cease-and-desist letter. Accepting [the counterclaim plaintiff’s] argument would mean “that the First Amendment protects an owner of intellectual property rights who blindsides an adversary with a lawsuit claiming infringement of those rights, but fails to shield that same owner when a more civilized notice and demand letter is sent in advance.”¹⁹⁵⁷

1952. *Id.* at 1713.

1953. *Id.* at 1714.

1954. *See* *Select Comfort Corp. v. Sleep Better Store, LLC*, 838 F. Supp. 2d 889 (D. Minn. 2012).

1955. *See id.* at 894 (“There is no support for [the counterclaim plaintiff’s] proposition that a cease-and-desist letter is only justified where the allegedly infringing term is identical to [a] registered mark . . .”).

1956. *See id.* at 895 (“There are no factual allegations in the pleadings to support any claims that [the counterclaim defendant] acted with bad faith or employed improper means.”).

1957. *Id.* at 899 (quoting *Cardtoons v. Major League Baseball Players Ass’n*, 208 F.3d 885, 894 (10th Cir. 2000) (en banc) (Lucero, J., dissenting)).

Indeed, the court noted, “[t]he fact that no litigation with [the third-party retailer] ensued only supports the proposition that such letters are desirable methods of petitioning by effectively and efficiently vindicating intellectual property rights.”¹⁹⁵⁸ Especially because “[o]n its face, the cease-and-desist letter articulates precisely the type of concerns that can legitimately form the basis of a lawsuit to protect federally registered trademarks,”¹⁹⁵⁹ the tortious interference counterclaim grounded in the transmittal of the letter failed as a matter of law.

2. The Seventh Amendment

Although the right of a defendant to a jury trial on a claim for statutory damages under the Copyright Act is well-established,¹⁹⁶⁰ the issue of whether a defendant facing an award of statutory damages under the Lanham Act is similarly entitled to the protection of the Seventh Amendment¹⁹⁶¹ was a question of first impression among federal appellate courts when it reached the Ninth Circuit over the past year.¹⁹⁶² Having concluded that the defendants before it had violated the ACPA as a matter of law, the district court initially hearing the matter awarded the plaintiff the minimum award of \$1,000 in statutory damages per domain name at issue. On appeal, the defendants argued that they had been entitled to a jury trial on the quantum of the statutory damages imposed upon them. The Ninth Circuit declined to address that question directly, holding that “there is no right to a jury trial when a judge awards the minimum statutory damages.”¹⁹⁶³ Rather, under these circumstances, “[i]f liability has properly been found on summary judgment, the defendant can gain nothing by going to a jury on the question of damages.”¹⁹⁶⁴

3. The Eleventh Amendment

The Eleventh Amendment¹⁹⁶⁵ bars federal courts from exercising jurisdiction over suits against states brought by citizens of other states or foreign countries, but states can voluntarily waive their Eleventh Amendment immunity. In a case of first impression, the Seventh Circuit held that the University of

1958. *Id.*

1959. *Id.* at 900.

1960. *See Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 347 (1998).

1961. U.S. Const. amend. VII.

1962. *See GoPets Ltd. v. Hise*, 657 F.3d 1024 (9th Cir. 2011).

1963. *Id.* at 1034.

1964. *Id.*

1965. U.S. Const. amend. XI.

Wisconsin effected just such a waiver by appealing an adverse Trademark Trial and Appeal Board decision to a local federal district court.¹⁹⁶⁶ In reversing the dismissal on summary judgment of counterclaims filed by the prevailing petitioner for cancellation before the Board, the court noted a growing consensus among the circuits that the removal by a state of a federal-law cause of action from state court to federal court constitutes a “waiver by litigation” that abrogates any Eleventh Amendment immunity to which the state otherwise might be entitled. In the Seventh Circuit’s view, the issue therefore was whether Wisconsin’s choice to proceed in federal court was substantively different from the voluntary removal mechanism. The court held that it was not: Faulting Wisconsin for not having raised the issue of its immunity before the Board, the court further observed that the state had

also decided to challenge the TTAB’s determination by initiating a civil action in the federal district court. As we have noted, this type of civil action is “both an appeal and a new action,” and it reflects exactly the sort of affirmative decision to place a dispute in the federal court’s hands that effects a waiver of immunity.¹⁹⁶⁷

Particularly because Wisconsin had options available to it other than an appeal to federal district court, not the least of which was an appeal to the Federal Circuit (in which the petitioner’s counterclaims would not have been allowed), those counterclaims were reinstated for consideration by the district court on remand.¹⁹⁶⁸

Another public institution of higher learning, Virginia Tech, had better luck invoking the Eleventh Amendment.¹⁹⁶⁹ Like the University of Wisconsin, Virginia Tech affirmatively chose to initiate a federal district court action, this one an infringement and unfair competition action challenging the incorporation of its federally registered HOKIES mark into the name of a local real estate agency. The defendant counterclaimed for the cancellation of Virginia Tech’s registrations, as well as for monetary relief, and Virginia Tech successfully moved the court to dismiss the defendant’s claims. In taking that action, the court addressed and rejected three responsive arguments advanced by the real estate agency.

1966. *See* Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int’l Software, Inc., 653 F.3d 448 (7th Cir. 2011).

1967. *Id.* at 464 (quoting CAE, Inc. v. Clean Air Eng’g, Inc., 267 F.3d 660, 673 (7th Cir. 2001)).

1968. *See id.* at 465-66, 469-70, 477.

1969. *See* Va. Polytechnic Inst. & State Univ. v. Hokie Real Estate, Inc., 813 F. Supp. 2d 745 (W.D. Va. 2011).

First, the court confirmed that the Eleventh Amendment bars suits even for equitable relief against states and state agencies.¹⁹⁷⁰ Second, the court was unconvinced that Virginia Tech had constructively waived its immunity by registering its mark. The basis of its analysis on this point was the Supreme Court's holding in *Florida Prepaid Postsecondary Educational Expense Bd. v. College Savings Bank*,¹⁹⁷¹ that states cannot be deemed to have waived their immunity merely by engaging in otherwise lawful commercial activity.¹⁹⁷² Under the Court's reading of *Florida Prepaid*, "the university engaged in otherwise lawful activity by registering its HOKIES mark, and . . . conditioning participation in this congressionally regulated process on a waiver of sovereign immunity would constitute a 'sanction,' specifically, the 'exclusion of the State from otherwise permissible activity.'"¹⁹⁷³ Third, and in a conclusion at odds with the Seventh Circuit's view of things, the court concluded that Virginia Tech had not exposed itself to mandatory counterclaims by filing suit in federal court:

[The defendant's] counterclaims are not compulsory. Whereas Virginia Tech's claims are based on its alleged ownership of a protected trademark, [the defendant's] use of the mark, and the likelihood of dilution and consumer confusion resulting from the defendant's actions, [the defendant's] counterclaims are based on the university's alleged misuse of the federal registration symbol and on the university's allegedly fraudulent actions in obtaining registration of the HOKIES mark. The court agrees with Virginia Tech that there is little overlap of issues of fact and law between Virginia Tech's claims and [the defendant's] counterclaims; that the doctrine of res judicata would not preclude [the defendant] from raising its counterclaims in a subsequent proceeding; that Virginia Tech's claims and [the defendant's] counterclaims will not be supported or refuted by substantially the same evidence; and that any relationship between the parties' claims is not sufficient to make the counterclaims compulsory.¹⁹⁷⁴

1970. *See id.* at 751.

1971. 527 U.S. 627 (1999).

1972. *See id.* at 680-87.

1973. *Va. Polytechnic Inst. & State Univ.*, 813 F. Supp. 2d at 753 (quoting *College Savings Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. at 666, 687 (1999)).

1974. *Id.* at 754.

G. Procedural Matters

1. Declaratory Judgment Actions

Both Article III of the U.S. Constitution and the federal Declaratory Judgment Act require federal courts acting under their authority to find the existence of an “actual controversy” before proceeding.¹⁹⁷⁵ In its 2007 opinion in *MedImmune, Inc. v. Genentech, Inc.*,¹⁹⁷⁶ the Supreme Court loosened the then-extant standard governing this requirement, holding it satisfied when “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”¹⁹⁷⁷ The significance of this change continued to work its way through opinions in trademark and unfair competition litigation and even led to the Court to revisit the issue in a trademark case.¹⁹⁷⁸

a. Opinions Finding Cognizable Cases and Controversies

Active proceedings between parties typically lead to findings of cases of controversies, even when those proceedings take the form of arbitrations before the National Advertising Division of the Council of Better Business Bureaus. One case proving this point was a declaratory judgment action brought by an online book retailer after a trade association representing the campus retailing industry initiated a NAD proceeding against three of the retailer’s advertising claims.¹⁹⁷⁹ The defendant did not threaten the plaintiff with a false advertising cause of action in conjunction with its NAD complaint, but the filing of that document led the plaintiff to seek declaratory relief; the defendant in turn responded to the plaintiff’s district court filing with a press release averring that the plaintiff’s advertising was “misleading and deceptive because [the plaintiff’s] sales platform makes it virtually impossible to substantiate the advertised discounts”¹⁹⁸⁰ and that one of the plaintiff’s claims in particular was literally false.¹⁹⁸¹

1975. U.S. Const. art. III, § 2, cl. 1; 28 U.S.C. § 2201 (2012).

1976. 549 U.S. 118 (2007).

1977. *Id.* at 127.

1978. *See* *Already, LLC v. Nike, Inc.*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

1979. *See* *Amazon.com, Inc. v. Nat’l Ass’n of College Stores, Inc.*, 826 F. Supp. 2d 1242 (W.D. Wash. 2011).

1980. *Quoted in id.* at 1248.

1981. *See id.*

The court professed to have “little trouble concluding that there exists an actual controversy between the parties that justifies the exercise of subject matter jurisdiction.”¹⁹⁸² To begin with, “[t]he legal dispute between [the plaintiff] and [the defendant] is clearly delineated: the issue is whether [the plaintiff’s] present and ongoing use of the three specific advertising claims challenged in [the defendant’s] NAD Complaint constitutes a false and misleading representation.”¹⁹⁸³ Moreover, “[the defendant] has contended, through its NAD complaint and in its press release, that [the plaintiff’s] claims are misleading, deceptive, literally false, and unsubstantiated.”¹⁹⁸⁴ Under these circumstances, “there is nothing hypothetical or speculative about this dispute; rather, the dispute is ‘real and substantial and admit[s] of specific relief through a decree of a conclusive character’ . . . ‘as distinguished from an opinion advising what the law would be upon a hypothetical set of facts.’”¹⁹⁸⁵

Of course, even if adversaries are not embroiled in an ongoing proceeding, an aggressively worded demand letter can produce a controversy sufficient to support a declaratory judgment action by the recipient. One such letter “accused [the plaintiff] of false advertising, listed specific statements and addressed in detail why these statements were false and misleading.”¹⁹⁸⁶ Equally to the point, the letter “threatened to ‘hold [the plaintiff] responsible and liable for its unlawful and tortious conduct’ if [the plaintiff] did not comply [with] [the lead defendant’s] demands by December 9, 2011.”¹⁹⁸⁷ These threats and allegations were enough to defeat a motion to dismiss: “Based on the issues raised in the [letter], the Court finds that there is a substantial controversy between the parties, that they have adverse interests, and that the controversy is real and immediate.”¹⁹⁸⁸

A demand letter similarly led to a finding of a case and controversy in a different opinion, albeit one that for other reasons ultimately declined to entertain the plaintiff’s request for declaratory relief.¹⁹⁸⁹ The defendants sent their letter from California to the Maryland-based plaintiff, which responded by filing a complaint on its home turf before the defendants could file

1982. *Id.* at 1249.

1983. *Id.*

1984. *Id.*

1985. *Id.* (alteration in original) (quoting *MedImmune*, 549 U.S. at 127).

1986. *See Transfresh Corp. v. Ganzerla & Assoc.*, 862 F. Supp. 2d 1009, 1021 (N.D. Cal. 2012).

1987. *Id.*

1988. *Id.*

1989. *See LWRC Int’l, LLC v. Mindlab Media, LLC*, 838 F. Supp. 2d 330 (D. Md. 2011).

their own action in California. Having been served with a first-filed complaint, the defendants backtracked from their earlier allegations by advising the Maryland court that an actionable controversy no longer existed because the plaintiff had voluntarily discontinued the complained-of conduct. The court disagreed, holding that such a circumstance “does not mean that there is no ‘case of actual controversy’ and thus no basis for invocation of the Declaratory Judgment Act. There is indisputably a legal dispute requiring the adjudication of the parties’ rights and duties, as the Defendants’ suit against [the Plaintiff] in California shows.”¹⁹⁹⁰ Nevertheless, because the decision to retain jurisdiction over the matter lay within the court’s discretion, and because the court disapproved of the plaintiff’s conduct in rushing to the courthouse,¹⁹⁹¹ it dismissed the case regardless.

b. Opinions Declining to find Actionable Cases and Controversies

Actual litigation between parties typically results in a finding of an actionable case and controversy, but no less an authority than the Supreme Court held that that general rule may not apply where requests for declaratory relief brought in response to irrevocably dismissed causes of action are concerned.¹⁹⁹² The plaintiff benefitting from this holding prosecuted a suit to protect its federally registered product design mark for approximately eight months, while the defendant pursued counterclaims to invalidate the plaintiff’s mark and to cancel the various registrations covering it. The plaintiff then presented the defendant with a “covenant not to sue,” which recited, among other things, that the plaintiff had “recently learned that [the defendant’s] actions complained of in the Complaint no longer infringe or dilute [the plaintiff’s mark] at a level sufficient to

1990. *Id.* at 337 (quoting 28 U.S.C. § 2201(a) (2006)).

1991. One day prior to filing suit, the plaintiff’s counsel wrote to counsel for the defendants and encouraged them to “refrain [from] filing suit while we explore with you the facts on which you would base any claim and determine whether the insurance carrier will be involved.” *Quoted in id.* at 333. The court remarked of this tactic that:

The facts at bar . . . aptly demonstrate that [the Plaintiffs’] entreaty to Defendants’ counsel to delay filing suit until it could explore the case and speak with its insurance company was little more than a disingenuous feint to allow it to file first and litigate close to home. [The plaintiff] sent its request for additional time on April 18, 2011, the very day Defendants had threatened to file their infringement suit, and then instituted its declaratory judgment action in this Court the very next day. [The Defendants] maintain, rightly, that such guileful forum shopping must not be countenanced.

Id.

1992. *See* *Already, LLC v. Nike, Inc.*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

warrant the substantial time and expense of continued litigation and [the plaintiff] wishes to conserve resources relating to its enforcement of the [mark].”¹⁹⁹³ Where the plaintiff’s mark was concerned, the covenant also obligated the plaintiff:

to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [the defendant] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law . . . based on the appearance of any of [the defendant’s] current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.¹⁹⁹⁴

The federal district court hearing the action dismissed the defendant’s counterclaims, and the Second Circuit affirmed. According to the appellate court:

In determining whether a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action involving a trademark, district courts applying the *MedImmune* totality of the circumstances test should especially consider, in addition to other factors: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products, and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.¹⁹⁹⁵

Reviewing the covenant against this doctrinal backdrop, the court concluded that the defendant’s counterclaims properly had been dismissed. To begin with, “[t]he language of the covenant is broad, covering both present and future products . . .”¹⁹⁹⁶ This unconditional and permanent renunciation of the plaintiff’s claims, the court held, “renders the threat of litigation remote or nonexistent even if [the defendant] continues to market and sell [the goods accused of violating the plaintiff’s rights] or significantly increases their production.”¹⁹⁹⁷ Indeed, “[g]iven the

1993. *Quoted in Nike, Inc. v. Already, LLC*, 663 F.3d 89, 92 (2d Cir. 2011), *aff’d*, No. 11-982, 2013 WL 85300 (U.S. Jan. 9, 2013).

1994. *Quoted in id.* (second alteration in original).

1995. *Id.* at 96 (footnote omitted).

1996. *Id.*

1997. *Id.* at 97.

similarity of [the defendant's goods] to the [plaintiff's registered mark] and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the . . . mark and yet not fall under the covenant."¹⁹⁹⁸ As a final matter, the court rejected the defendant's argument that dismissal was inappropriate because an inability to defend itself against the ongoing *de minimis* infringement alleged in the covenant would cause potential investors to direct their capital elsewhere: "In this case, potential investor concerns about infringement lawsuits against the company, despite [the plaintiff's] broad Covenant, fail to establish the sort of genuinely adverse legal interests between [the parties] that *MedImmune* requires."¹⁹⁹⁹

The Supreme Court affirmed. As a threshold matter, it noted that:

A case becomes moot—and therefore no longer a “Case” or “Controversy” for Article III purposes—when the issues presented are no longer “live” or the parties lack a legally cognizable interest in the outcome. No matter how vehemently the parties continue to dispute the lawfulness of the conduct that precipitated the lawsuit, the case is moot if the dispute is no longer embedded in any actual controversy about the plaintiffs' particular legal rights.²⁰⁰⁰

The Court then teed the ball up further by looking to its case law in the reverse situation that it faced, namely, that in which a defendant averred a discontinuance of use to avoid an imposition of liability:

[A] defendant cannot automatically moot a case simply by ending its unlawful conduct once sued. Otherwise, a defendant could engage in unlawful conduct, stop when sued to have the case declared moot, then pick up where he left off, repeating this cycle until he achieves all his unlawful ends. Given this concern, our cases have explained that “a defendant claiming that its voluntary compliance moots a case bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.”²⁰⁰¹

From these principles, the Court held the relevant inquiry to be whether the plaintiff had shown that it “‘could not reasonably be expected’ to resume its enforcement efforts against [the

1998. *Id.*

1999. *Id.*

2000. *Already*, 2013 WL 85300, at *5 (citation omitted) (internal quotation marks omitted).

2001. *Id.* (citation omitted) (quoting *Friends of the Earth, Inc. v. Laidlaw Env'tl. Scis. (TOC), Inc.*, 528 U.S. 167, 190 (2000)).

defendant]. . . . That is the question the voluntary cessation doctrine poses: Could the allegedly wrongful behavior reasonably be expected to occur?”²⁰⁰² As to that issue, the Court concluded that:

The breadth of [the plaintiff’s] covenant suffices to meet the burden imposed by the voluntary cessation test. The covenant is unconditional and irrevocable. Beyond simply prohibiting [the plaintiff] from filing suit, it prohibits [the plaintiff] from making any claim or any demand. It reaches beyond [the defendant] to protect [the defendant’s] distributors and customers. And it covers not just current or previous designs, but any colorable imitations.²⁰⁰³

The Court went on to reject several arguments advanced by the defendant as to why a case and controversy continued to exist between the parties. One was the assertion that “so long as [the plaintiff] remains free to assert its trademark, investors will be apprehensive about investing in [the defendant],”²⁰⁰⁴ which the Court found wanting because “the fact that some individuals may base decisions on ‘conjectural or hypothetical’ speculation does not give rise to the sort of ‘concrete’ and ‘actual’ injury necessary to establish Article III standing.”²⁰⁰⁵ Another was that no covenant could eliminate the deleterious effects of a federal registration covering an invalid mark, which fell victim to the Court’s observation that “[t]aken to its logical conclusion, the theory seems to be that a market participant is injured for Article III purposes whenever a competitor benefits from something allegedly unlawful—whether a trademark, the awarding of a contract, a landlord-tenant arrangement, or so on.”²⁰⁰⁶ Likewise, the risk of the plaintiff bullying the overall market with the tactics it had employed against the defendant was not a meaningful one because “granting covenants not to sue may be a risky long-term strategy for a trademark holder,”²⁰⁰⁷ and, additionally, because “the Lanham Act provides some check on abusive litigation practices by providing for an award of attorney’s fees in ‘exceptional cases.’”²⁰⁰⁸ In the final analysis, “[the defendant’s] only legally cognizable injury—the fact that [the plaintiff] took steps to enforce its trademark—is now gone and, given the breadth of the covenant,

2002. *Id.* (quoting *Friends of the Earth*, 528 U.S. at 190).

2003. *Id.* at *6.

2004. *Id.* at *8.

2005. *Id.* (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992) (internal quotation marks omitted)).

2006. *Id.* at *9.

2007. *Id.*

2008. *Id.* (quoting 15 U.S.C. § 1117(a) (2012)).

cannot reasonably be expected to recur. There being no other basis on which to find a live controversy, the case is clearly moot.”²⁰⁰⁹

In an additional case in which litigation between the parties did not rise to the level of a case and controversy, it was an ongoing opposition proceeding that failed to make the grade.²⁰¹⁰ Having had an intent-to-use application to register its mark opposed by the defendant, the plaintiff sought to bootstrap that proceeding and demand letters sent by the defendant into a declaratory judgment action. The federal magistrate judge assigned to the litigation addressed the issue of whether a case and controversy existed in the context of the defendant’s bid to stay discovery pending the disposition of a motion to dismiss. Although the defendant’s demand letters asserted both likely confusion and likely dilution, the magistrate held that the motion to dismiss was sufficiently viable that a stay was appropriate. It might be true that “[t]he . . . complaint’s allegations are fairly detailed and specific with respect to Defendant’s claims that Plaintiff’s mark is confusingly similar and infringes its trademark rights.”²⁰¹¹ Nevertheless, “the . . . complaint’s allegations are vague, conclusory and contradictory about whether Plaintiff is actually using the mark or has expended significant resources to develop and use the mark.”²⁰¹² In the absence of more detailed averments on those subjects, the magistrate concluded that “this case involves a would-be competitor seeking to test the waters by asking for an advisory opinion on an adverse mark”²⁰¹³

2. Standing

a. Cases Finding Standing

Some cases presented rather easily resolved questions of standing.²⁰¹⁴ They included one brought by a plaintiff that had introduced a federal registration into evidence but then had objected to the defendant’s counterclaims for the cancellation of that registration.²⁰¹⁵ Although denying the defendant’s motion for summary judgment, the court rejected the plaintiff’s argument

2009. *Id.* at *10.

2010. *See* Tradebay, LLC v. eBay, Inc., 278 F.R.D. 597 (D. Nev. 2011).

2011. *Id.* at 607.

2012. *Id.*

2013. *Id.* at 608.

2014. *See, e.g.,* Fraley v. Facebook, Inc., 830 F. Supp. 2d 785, 797 (N.D. Cal. 2011) (holding that plaintiffs who had adequately alleged violations of their rights of publicity under California statutory law had standing to pursue redress for those violations).

2015. *See* Petroliam Nasional Berhad v. GoDaddy.com Inc., 101 U.S.P.Q.2d 1507 (N.D. Cal. 2012).

that the defendant lacked standing because it had no interest in the use of the mark covered by the registration. Rather, the court concluded, “it appears that [the defendant] has standing to seek cancellation because [the plaintiff] is using the registration as a sword against [the defendant], in that this Lanham Act lawsuit is premised on the registered mark.”²⁰¹⁶ Consequently, “because [the defendant] is in danger of being financially affected by [the plaintiff’s] assertion of its mark—even though [the defendant] does not meet the traditional qualification of a party that claims a right to use the . . . mark—[the defendant] has arguably established standing.”²⁰¹⁷

In an opinion affirming a finding of liability for false advertising under Section 43(a), the Ninth Circuit confirmed that “[c]onstitutional standing calls for the familiar trio of injury in fact, causation and redressability”;²⁰¹⁸ moreover, as a matter of statutory law, “a plaintiff must show: (1) a commercial injury based upon a misrepresentation about a product; and (2) that the injury is competitive, or harmful to the plaintiff’s ability to compete with the defendant.”²⁰¹⁹ As it turned out, each of these standards was easily satisfied in the case before the court, in which the record established that the parties were competitors and that, as the court put it, “[s]ales gained by one are thus likely to come at the other’s expense.”²⁰²⁰ Beyond this, Section 43(a) itself contemplated standing for “any person” who “believes that he . . . is *likely* to be damaged,”²⁰²¹ and “[b]ecause a likely injury is far less certain than an actual injury, [the] plaintiffs need not prove the latter to establish the commercial injury necessary for Lanham Act standing.”²⁰²²

One court drove home the point that if a plaintiff’s averments otherwise establish its standing to prosecute a false advertising claim under Section 43(a), a defendant will not be able to secure the dismissal of that cause of action by contesting the accuracy of those averments.²⁰²³ The plaintiff advancing the cause of action at issue was a merchant of custom-tailored men’s suits who objected to his competitors’ alleged overstatement of the quality of the

2016. *Id.* at 1518.

2017. *Id.*; accord *Quality Serv. Grp. v. LJMJR Corp.*, 831 F. Supp. 2d 705, 713 (S.D.N.Y. 2011).

2018. *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 825 (9th Cir. 2011).

2019. *Id.* at 826 (quoting *Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th Cir. 2005)) (internal quotation marks omitted).

2020. *Id.* at 825.

2021. 15 U.S.C. § 1125(a) (2012).

2022. *TrafficSchool.com*, 653 F.3d at 826.

2023. See *Ramchandani v. Sani*, 844 F. Supp. 2d 365 (S.D.N.Y. 2012).

fabric from which their suits were made. The court noted that standing under Section 43(a) extended “to a plaintiff with a reasonable interest to be protected against the allegedly false advertising and a reasonable basis for believing that this interest is likely to be damaged if the false advertising continues.”²⁰²⁴ Responding to the plaintiff’s claim of standing under that rule, the defendants argued in a motion to dismiss for failure to state a claim that the market in which the parties competed was so crowded that the plaintiff would be unable to argue that he would suffer damage in particular.²⁰²⁵ The court denied the motion on the grounds that “[t]he allegations with respect to the Lanham Act claim are sufficient. Plaintiff’s reasons for apprehension seem entirely reasonable to the Court, and that would be so even if there are others threatened with the same or similar harm.”²⁰²⁶

b. Cases Declining to Find Standing

As always, the absence of direct competition proved to be a hurdle to some plaintiffs asserting false advertising causes of action. This consideration at times came into play as a bright-line rule,²⁰²⁷ and it also played a significant role in a Florida federal district court’s weighing of the five factors properly considered in evaluations of prudential standing in the Eleventh Circuit, namely:

- (1) The nature of the plaintiff’s alleged injury: Is the injury of a type that Congress sought to redress in providing a private remedy for violations of the [Lanham Act]?
- (2) The directness or indirectness of the asserted injury.
- (3) The proximity or remoteness of the party to the alleged injurious conduct.
- (4) The speculativeness of the damages claim.

2024. *Id.* at 366.

2025. *See id.* (“Defendants’ standing argument rests in substantial measure on a factual argument, founded in part on supposition or argument and in part on matters outside the pleadings, that plaintiff has suffered no commercial or competitive injury and that there are so many [third-party competitors] that he could have no reasonable basis for believing that defendants’ allegedly fraudulent activities could harm him.”).

2026. *Id.*

2027. *See, e.g.,* Original Rex, L.L.C. v. Beautiful Brands Int’l, LLC, 792 F. Supp. 2d 1242, 1261 (N.D. Okla. 2011) (granting defense motion for summary judgment on ground that “Plaintiff cannot establish it is in competition with defendants, and therefore, it lacks standing to assert a § [43(a)] false advertising claim”).

(5) The risk of duplicative damages or complexity in apportioning damages.²⁰²⁸

The claim of standing at issue was grounded in the theory that the defendants' allegedly false advertising, which consisted of representations that the defendants were "the originators of the virtual career fair,"²⁰²⁹ had precluded the plaintiff from entering that market. Although the relevant factors might not expressly require a showing of direct competition, the court noted that "[e]ach . . . hinges on the directness of the competition between the parties,"²⁰³⁰ which led it ultimately to conclude that "direct competition is essential to a finding of standing to bring a false advertising claim under the Lanham Act in the Eleventh Circuit."²⁰³¹ Because "the existence of a product in the market [is] indicative of whether direct competition exists between the parties," the plaintiff's allegation that it had not been able to enter the market disposed of its claim of standing.²⁰³²

Roughly the same analysis proved to be popular among Eighth Circuit district courts.²⁰³³ One heard a case in which the allegedly false advertising consisted of notices posted by an operator of grain elevators that it would not accept transgenic corn grown from the plaintiff's seeds because the corn was not approved in major export markets.²⁰³⁴ Noting the existence of inconsistent controlling authority on the issue of noncompetitor standing, the court undertook the following analysis in granting the defendant's motion for summary judgment:

"For a statement to constitute commercial advertising or promotion, it must be made, *inter alia*, by a defendant who is in commercial competition with the plaintiff . . ." [The plaintiff] does not attempt to show that [the defendant] is in commercial competition with [the plaintiff], instead suggesting that the requirement can be overlooked, because its action would purportedly fit with the legislative purpose of [Section 43(a)(1)(B)] of the Lanham Act, where [the plaintiff] and [the defendant] have customers in common. While [the plaintiff]

2028. *CareerFairs.com v. United Bus. Media LLC*, 838 F. Supp. 2d 1316, 1322 (S.D. Fla. 2011) (alteration in original) (quoting *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489 F.3d 1156, 1163-64 (11th Cir. 2007)).

2029. *Quoted in id.* at 1321.

2030. *Id.* at 1322.

2031. *Id.* at 1323.

2032. *Id.*

2033. *See, e.g., Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802, 810 (D. Minn. 2011) (holding that lack of competitive relationship between parties precluded claim of standing in false advertising action).

2034. *See Syngenta Seeds, Inc. v. Bunge N. Am., Inc.*, 820 F. Supp. 2d 953 (N.D. Iowa 2011).

and [the defendant] have customers in common, their relations with those customers are at opposite ends of the grain production process—[the plaintiff] and [the defendant] do not compete in either seed production or grain storage. Thus, [the plaintiff] lacks any likelihood of success on its Lanham Act claim, if [the defendant] must be in commercial competition with [the plaintiff] for that claim to lie.²⁰³⁵

Summarizing the controlling authority in its jurisdiction, a Second Circuit district court articulated a more flexible standard:

In assessing prudential standing under the Lanham Act, courts in the Second Circuit have applied both the “strong categorical” and the “reasonable commercial interest” tests. The strong categorical test provides that the plaintiff must be a competitor of the defendant and allege a competitive injury. Under the reasonable commercial interest approach, a plaintiff must demonstrate (1) a reasonable interest to be protected against the alleged false advertising and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising. Although this test does not require that the litigants be competitors, the United States Court of Appeals for the Second Circuit has frequently stressed the importance of competition between litigants in evaluating Lanham Act claims as a strong indication of why the plaintiff has a reasonable basis for believing that its interest will be damaged. Where a plaintiff’s products are not obviously in competition with the defendant’s products, and the defendant’s advertisements do not draw direct comparisons between the products, a plaintiff must make a more substantial showing of injury and causation to satisfy the reasonable basis prong of the standing requirement.²⁰³⁶

Despite thus acknowledging the possibility of standing in false advertising cases in which the parties were not competitors, the court was unsympathetic to the plaintiffs before it. They were environmental and design professionals who objected to a program administered by the defendant that certified buildings as being designed and constructed in an environmentally friendly manner. The gravamen of the plaintiffs’ Section 43(a) cause of action was that false claims by the defendant about the success of its program were driving business away from the plaintiffs and to businesses

2035. *Id.* at 986 (alteration omitted) (citation omitted) (quoting *Aviation Charter, Inc. v. Aviation Research Grp./US*, 416 F.3d 864, 871 (8th Cir. 2005)).

2036. *Gifford v. Green Bldg. Council*, 101 U.S.P.Q.2d 2053, 2055 (S.D.N.Y. 2011) (alteration in original omitted) (citation omitted) (internal quotation marks omitted).

certified by the defendant.²⁰³⁷ Granting the defendant's motion to dismiss, the court held that the plaintiffs could not satisfy either of the tests for standing set forth above. As to the first, the court held that "Plaintiffs plainly do not compete with [the defendant] in the certification of 'green' buildings or the accreditation of professionals."²⁰³⁸ And, as to the second, the plaintiffs had failed to allege a reasonable commercial interest likely to be damaged by the defendant's advertising because the injury averred in their complaint was speculative and lacked a causal nexus to the defendant's alleged conduct;²⁰³⁹ the same result held with respect to the plaintiffs' "last-ditch" argument outside the scope of their complaint that consumers who learned the defendant's advertising was false would discount all claims of energy savings they encountered in the future.²⁰⁴⁰

3. Jurisdictional Issues

a. Subject-Matter Jurisdiction

Section 43(a)(1) requires that a defendant be making a use "in commerce" before a finding of liability will lie.²⁰⁴¹ This restriction rarely leads to holdings on motions to dismiss that a cause of action is fatally defective, but that was the fate of a reverse passing off claim grounded in the defendants' alleged misappropriation of the plaintiff's copyrighted architectural plans.²⁰⁴² Although the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*²⁰⁴³ might have served as a mechanism for cleanly disposing of the claim, the court looked instead to the complaint, concluding from it that "Plaintiff provides no indication of how Defendants' alleged misleading representations might come to affect interstate commerce."²⁰⁴⁴ Specifically, "Plaintiff [and Defendants] are all entities operating primarily within the Williamsburg area of Virginia. Plaintiff nowhere provides any evidence that Defendants advertised their

2037. The primary advertisement targeted by the plaintiffs advised readers that buildings certified by the defendant were "performing 25-30% better than [non-certified] buildings in terms of energy use." *Quoted in id.* at 2054.

2038. *Id.* at 2056.

2039. *See id.*

2040. *See id.*

2041. 15 U.S.C. § 1125(a)(1) (2012).

2042. *See Charles W. Ross Builder, Inc. v. Olsen Fine Home Bldg., LLC*, 827 F. Supp. 2d 607 (E.D. Va. 2011), *vacated on other grounds*, No. 11-2206, 2012 WL 48027 (4th Cir. Nov. 8, 2012).

2043. 539 U.S. 23 (2003).

2044. *Charles W. Ross Builder*, 827 F. Supp. 2d at 625.

allegedly infringing designs anywhere outside of Virginia.”²⁰⁴⁵ The court therefore dismissed the plaintiff’s Section 32(a)(1) claim “because there is no support for the allegation that Defendants engaged in unfair competition affecting interstate commerce.”²⁰⁴⁶

b. Personal Jurisdiction

If a federal statute does not authorize an exercise of personal jurisdiction, a court entertaining a dispute must first determine whether the defendant’s conduct falls within the scope of the local state long-arm statute. If so, the court must then determine whether an exercise of personal jurisdiction under the statute would comport with the requirements of the Due Process Clause of the federal constitution.²⁰⁴⁷ Specifically, “[f]or a court to exercise personal jurisdiction over a nonresident defendant consistent with due process, that defendant must have ‘certain minimum contacts’ with the relevant forum ‘such that the maintenance of the suit does not offend “traditional notions of fair play and substantial justice.”’”²⁰⁴⁸ If the reach of the state long-arm statute in question is coextensive with the limits of the Due Process Clauses of the Fifth and Fourteenth Amendments, then only the constitutional analysis need take place, which is to say that a nonresident defendant must have meaningful minimum contacts, ties, or relations with the forum state for jurisdiction to be constitutionally asserted.²⁰⁴⁹

A nonresident defendant generally may be subject to an exercise of two types of personal jurisdiction under this test. First, “[a] court may assert general jurisdiction over foreign (sister-state or foreign-country) [defendants] to hear any and all claims against them when their affiliations with the [forum] State are so continuous and systematic as to render them essentially at home

2045. *Id.*

2046. *Id.*

2047. *See generally* LWRC Int’l, LLC v. Mindlab Media, LLC, 838 F. Supp. 2d 330, 334-35 (D. Md. 2011); A.W.L.I. Grp. v. Amber Freight Shipping Lines, 828 F. Supp. 2d 557, 563 (S.D.N.Y. 2011); Amazon.com, Inc. v. Nat’l Ass’n of College Stores, Inc., 826 F. Supp. 2d 1242, 1251-52 (W.D. Wash. 2011); Clearpractice, LLC v. Nimble, LLC, 819 F. Supp. 2d 892, 893 (E.D. Mo. 2011).

2048. CollegeSource, Inc. v. AcademyOne, Inc., 653 F.3d 1066, 1073 (9th Cir. 2011) (quoting Int’l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945) (quoting Milliken v. Meyer, 311 U.S. 457, 463 (1940))).

2049. *See, e.g.*, Pandaw Am., Inc. v. Pandaw Cruises India Pvt. Ltd., 842 F. Supp. 2d 1303, 1308 (D. Colo. 2012) (holding Colorado long-arm statute coextensive with limits of constitutional due process); Outdoor Channel, Inc. v. Performance One Media, LLC, 826 F. Supp. 2d 1271, 1278 (N.D. Okla. 2011) (holding Oklahoma long-arm statute coextensive with limits of constitutional due process); Amazon.com, 826 F. Supp. 2d at 1251-52 (holding Washington long-arm statute coextensive with limits of constitutional due process).

in the forum state.”²⁰⁵⁰ Second, a defendant may be subject to an exercise of specific personal jurisdiction, the following test for which was characteristic of those applied by courts over the past year:

- (1) The non-resident defendant must *purposefully direct his activities* or consummate some transaction with the forum or resident thereof; or perform some act by which he *purposefully avails himself* of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or relates to the defendant’s forum-related activities; and (3) the exercise of jurisdiction must comport with fair play and substantial justice, i.e. it must be reasonable.²⁰⁵¹

The plaintiff bears the burden of proof as to the first two of these issues; if it carries that burden, the defendant has the burden of proof as to the third.²⁰⁵²

In addition to these traditional analyses, plaintiffs faced with non-U.S. defendants have in recent years increasingly turned to Federal Rule of Civil Procedure 4(k)(2) as an alternative means of establishing the propriety of an exercise of jurisdiction. That rule provides that:

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.²⁰⁵³

(1) Opinions Exercising Personal Jurisdiction

As always, the “effects test” arising from the Supreme Court’s decision in *Calder v. Jones*²⁰⁵⁴ played a significant role in opinions concluding that defendants had purposefully directed their activities into particular fora for purposes of the first prong of the

2050. See *CollegeSource*, 653 F.3d at 1074 (internal quotation marks omitted).

2051. *Amazon.com, Inc. v. Nat’l Ass’n of College Stores, Inc.*, 826 F. Supp. 2d 1242, 1253 (W.D. Wash. 2011) (quoting *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1227-28 (9th Cir. 2011) (quoting *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 802 (9th Cir. 2004))); see also *CollegeSource*, 653 F.3d at 1074.

2052. See *Amazon.com*, 826 F. Supp. 2d at 1253.

2053. Fed. R. Civ. P. 4(k)(2).

2054. 465 U.S. 783 (1984).

specific personal jurisdiction inquiry.²⁰⁵⁵ According to the Ninth Circuit's interpretation of *Calder*, purposeful direction exists if "the defendant allegedly . . . (1) commit[s] an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state."²⁰⁵⁶ In an application of these factors, the court concluded that it was appropriate to hale into court in California a Pennsylvania-based defendant accused of various torts, including trademark infringement, grounded in the defendant's wholesale copying and placement online of educational catalogues developed by the plaintiff. In the process, the court rejected the defendant's argument that the defendant had been unaware of the plaintiff's California domicile until receiving the plaintiff's demand letter as "implausible, to say the least."²⁰⁵⁷ Not only were the parties "direct competitors in a relatively small industry," three of the defendant's employees had purchased trial memberships from the plaintiff.²⁰⁵⁸ Of even greater significance, the parties had at one point engaged in negotiations, of which the appellate court observed that:

It is unclear how [the defendant's] employees would have learned to contact the relevant officers [of the plaintiff] other than through the latter's website or a reference that would have made [the plaintiff's] California location clear. It is difficult to believe that a conference call could have been scheduled without consideration of the time zones (and therefore the locations) of the participants. It is also difficult to believe that [the defendant], a newcomer to the . . . market, was unaware of the location of its principal competitor, which it contacted several times in order to propose a business relationship.²⁰⁵⁹

The Ninth Circuit's tripartite *Calder* analysis similarly helped lead to an exercise of personal jurisdiction by a Washington federal district court over an Ohio-based business association with offices in New York and Washington, D.C.²⁰⁶⁰ Rather than allegedly violating the plaintiff's rights, the defendant had challenged the accuracy of the plaintiff's advertising in a proceeding before the

2055. See, e.g., *Capitol Comm'n, Inc. v. Capitol Ministries*, 826 F. Supp. 2d 879, 883 (E.D.N.C. 2011) (holding an exercise of specific jurisdiction appropriate on ground that "[i]n *Calder*, as here, the forum state is the focal point of the substantive claim and of the harm suffered").

2056. *CollegeSource, Inc. v. AcademyOne, Inc.*, 653 F.3d 1066, 1077 (9th Cir. 2011) (internal quotation marks omitted).

2057. *Id.* at 1078.

2058. See *id.*

2059. *Id.* at 1078-79.

2060. See *Amazon.com, Inc. v. Nat'l Ass'n of College Stores, Inc.*, 826 F. Supp. 2d 1242 (W.D. Wash. 2011).

National Advertising Division of the Council of Better Business Bureaus, and this led the plaintiff to file a declaratory judgment action on its home turf. The court was unmoved by the plaintiff's argument that having dues-paying members in Washington subjected the defendant to an exercise of general jurisdiction, but it found three reasons why the defendant had purposefully directed its activities into Washington for specific personal jurisdiction purposes. First, "[the defendant's] intent in filing the NAD Complaint was to attempt to force [the plaintiff] to substantiate its advertising claims or stop using them."²⁰⁶¹ Second, "[the defendant] expressly aimed its actions at Washington by individually targeting . . . the Washington-based plaintiff."²⁰⁶² And, third, "the effects of [the defendant's] challenge to [the plaintiff's] continuing use of its advertising claims are primarily felt in Washington, where [the plaintiff] is headquartered."²⁰⁶³ Because the suit was related to the defendant's forum-related activities,²⁰⁶⁴ and because the defendant failed to contest the issue of whether it was constitutionally reasonable for it to be haled into court in Washington, an exercise of specific personal jurisdiction was appropriate.²⁰⁶⁵

A final notable opinion arose from allegations of infringement and cybersquatting brought in Colorado by two United States-based plaintiffs against a group of "entity" defendants and individual defendants located in India.²⁰⁶⁶ Having struck out in their attempts to subject the defendants to exercises of general and specific personal jurisdiction under the Colorado long-arm statute,²⁰⁶⁷ the plaintiffs had better luck when they invoked Rule 4(k)(2). Under the court's reading of it:

In essence, Rule 4(k)(2) acts as "a sort of federal long-arm statute." It allows a court to exercise personal jurisdiction over a defendant if: (1) the plaintiff's claim arises under federal law; (2) the defendant is not subject to jurisdiction in any state's courts of general jurisdiction; and (3) the exercise of jurisdiction comports with due process.²⁰⁶⁸

2061. *Id.* at 1254.

2062. *Id.*

2063. *Id.*

2064. *See id.* ("[T]he lawsuit arises from [the defendant's] forum-related activities because, but for [the defendant's] initiation of the NAD proceeding, [the plaintiff] would have had no need for a judicial declaration of its right to continue to use its advertising.")

2065. *See id.* at 1255-56.

2066. *See Pandaw Am., Inc. v. Pandaw Cruises India Pvt. Ltd.*, 842 F. Supp. 2d 1303 (D. Colo. 2012).

2067. Colo. Rev. Stat. § 13-1-124 (2005).

2068. *Pandaw Am.*, 842 F. Supp. 2d at 1310 (quoting *Synthes (U.S.A.) v. G.M. Dos Reis Jr.*, 563 F.3d 1285, 1293-94 (9th Cir. 2009)).

The first two requirements of this analysis were easily satisfied, as the plaintiffs were clearly advancing claims under federal law, and the defendants contended that they were not subject to an exercise of personal jurisdiction in any state.²⁰⁶⁹ The court's evaluation of the sufficiency of the plaintiffs' showing as to the third prerequisite, however, produced a split decision. With respect to the businesses targeted by the plaintiffs' complaint, the court concluded that those "entity defendants" had sufficiently marketed their services toward the United States that it not be constitutionally unfair to hale them into a United States court.²⁰⁷⁰ Moreover, the same was true with respect to four of the seven individual defendants in light of the plaintiffs' allegations that those defendants' relationships with the entity defendants either gave them the right and ability to control the allegedly unlawful activity or a financial interest in it;²⁰⁷¹ because the remaining three individual defendants lacked similar relationships, however, they were dismissed from the case.²⁰⁷²

(2) Opinions Declining to Exercise Personal Jurisdiction

The Eighth Circuit led those courts rejecting attempts to exercise personal jurisdiction over nonresident defendants.²⁰⁷³ The defendants before that court were an Iowa restaurateur and its former manager, who, apparently acting in good faith, had adopted a service mark substantively identical to that of the plaintiff, an Arkansas corporation. Having learned of a pending application to register the plaintiff's mark, the defendants made a single trip to the plaintiff's Arkansas headquarters in an unsuccessful attempt to secure permission for the continued use of their mark. Affirming the district court's dismissal of the plaintiff's complaint, the Eighth Circuit identified several reasons why the trip could not serve as the basis for an exercise of specific personal jurisdiction, the first of which was that, because the defendants' adoption of their mark

2069. *See id.* at 1310-11.

2070. *See id.* at 1312-13.

2071. Two of the four individual defendants were directors and therefore enjoyed both the right to control the alleged infringement and the ability to benefit from it. *See id.* at 1314. The third was a director of one of the entity defendants and a majority shareholder in two others. *See id.* The fourth was the registrant of record of the domain names targeted by the plaintiffs' ACPA claims. *See id.*

2072. Of the three remaining individual defendants, one had resigned as a director of an entity defendant prior to the inception of the defendants' alleged unlawful activity, the second had died prior to that time, and the third merely operated a cruise vessel in India for one of the entity defendants and was not involved in any sales or marketing activities, much less any directed toward the United States. *See id.* at 1314-15.

2073. *See Pangaea, Inc. v. Flying Burrito LLC*, 647 F.3d 741 (8th Cir. 2011).

had occurred prior to their knowledge of the plaintiff's asserted rights, "[t]he Defendants' trip to Arkansas—and their failure to obtain permission to use the [challenged] mark—did not cause or otherwise precipitate the alleged infringement."²⁰⁷⁴ A second was that:

The fact that Defendants maintained a website advertising their [Ames,] Iowa restaurant cannot be viewed as intentionally targeting customers in Arkansas, considering the distance between Ames and [the plaintiff's] Fayetteville[, Arkansas location], and the unlikelihood that customers seeking food in the Fayetteville area would be confused by the website for the Ames restaurant, much less inclined to travel that far out of their way.²⁰⁷⁵

In the final analysis, "Defendants' actions in making the isolated trip to Arkansas do not reveal an intent to purposefully avail themselves of that state's laws or otherwise establish sufficient contacts with Arkansas to justify personal jurisdiction."²⁰⁷⁶

As always, a number of courts declined to hold that the operation of a website accessible in the forum state necessarily subjected the defendant to an exercise of personal jurisdiction there, especially if that conduct did not fall within the scope of the local long-arm statute.²⁰⁷⁷ For example, a Georgia federal district court declined to apply a *Calder*-style constitutional analysis because the plaintiff had failed to demonstrate that the Arkansas-based defendants' conduct failed to satisfy the requirements of that state's long-arm statute.²⁰⁷⁸ One portion of that statute relied upon by the plaintiff authorized an exercise of personal jurisdiction over any defendant "transact[ing] any business within this state."²⁰⁷⁹ According to the court, the plaintiff viewed this standard through decidedly *Calder*-colored glasses: "Plaintiff maintains that under that test personal jurisdiction is satisfied here because the Defendants committed an intentional tort aimed at Plaintiff in Georgia, and the effect of that tort was suffered by Plaintiff in Georgia."²⁰⁸⁰ As the court pointed out, however, the reach of the

2074. *Id.* at 747.

2075. *Id.*

2076. *Id.* at 748.

2077. *See, e.g.,* A.W.L.I. Grp. v. Amber Freight Shipping Lines, 828 F. Supp. 2d 557, 569 (E.D.N.Y. 2011) ("[A] website is . . . considered passive and insufficient to confer jurisdiction where, as here, the only purported exchange of information available on the website is a direct link allowing the user to contact the seller and does not allow for any part of a transaction to occur online." (internal quotation marks omitted)).

2078. *See* Jordan Outdoor Enters. v. That 70's Store, LLC, 819 F. Supp. 2d 1338 (M.D. Ga. 2011).

2079. Ga. Code Ann. § 9-10-91(1) (2003).

2080. *Jordan Outdoor Enters.*, 819 F. Supp. 2d at 1343.

Georgia long-arm statute was not coextensive with that of the Due Process Clause, which meant that the plaintiff had improperly conflated the statutory inquiries. It therefore “reject[ed] Plaintiff’s argument that an injury suffered . . . in Georgia due to an intentional tort satisfies the Georgia long-arm statute’s transaction of business requirement.”²⁰⁸¹ Moreover, because the plaintiff had failed to articulate an alternative theory under which the defendants might be found to have transacted business in Georgia other than their display of allegedly infringing marks on websites accessible in the state,²⁰⁸² it was unable to invoke another portion of the long-arm statute that contemplated an exercise of personal jurisdiction over out-of-state defendants committing in-state tortious injuries, but only if those defendants regularly did business in the state.²⁰⁸³

One opinion addressed the extent to which a nonresident subsidiary’s ties to a resident corporate parent could subject the subsidiary to an exercise of personal jurisdiction in the parent’s home forum.²⁰⁸⁴ The corporate parent, which was based in Illinois, did not contest the plaintiff’s ability to hale it into court in that state, but the subsidiary, which was an intellectual-property holding company based in Delaware and which had licensed the use of the challenged mark to its parent, did do so. In granting the subsidiary’s motion to dismiss, the court noted that “[i]f corporate formalities are substantially observed and the parent company ‘does not exercise an unusually high degree of control over the subsidiary,’ a parent and a subsidiary are considered as two separate entities for purposes of personal jurisdiction.”²⁰⁸⁵ The court then found this condition to be satisfied based on “evidence

2081. *Id.*

2082. On this issue, the court found that:

Defendants operated websites that are accessible everywhere and not specifically in Georgia. The websites do not target Georgia residents. The websites failed to generate any business for Defendants in Georgia. Defendants did not sell any products to Georgia residents through the internet or otherwise. Defendants did not ship any products to Georgia. The record fails to reveal any “intangible” conduct by Defendants in Georgia. Defendants have not corresponded via email, mail, or telephone with Georgia residents. The Court cannot conclude that merely operating a website accessible in Georgia, and everywhere else, constitutes “the actual transaction of business—the doing of some act or consummation of some transaction—by the [Defendants] *in the state.*”

Id. at 1343-44 (alteration in original) (quoting *Diamond Crystal Brands, Inc. v. Food Movers Int’l, Inc.*, 593 F.3d 1249, 1260 (11th Cir. 2010) (emphasis added)).

2083. *See id.* at 1344-45 (interpreting Ga. Code Ann. § 9-10-91(3) (2003)).

2084. *See Eco Pro Painting, LLC v. Sherwin-Williams Co.*, 807 F. Supp. 2d 732 (N.D. Ill. 2011).

2085. *Id.* at 736 (quoting *Cent. States, Se. & Sw. Areas Pension Fund v. Reimer Express World Corp.*, 230 F.3d 934, 944 (7th Cir. 2000)).

in this case reflect[ing] that [the subsidiary] and [the parent] maintain separate corporate identities and that both observe all corporate formalities, including having distinct corporate by-laws and regular board meetings.”²⁰⁸⁶ This conclusion was not altered by the subsidiary’s having: (1) licensed its Illinois-based parent to use the challenged mark;²⁰⁸⁷ (2) approved of national advertising featuring the mark;²⁰⁸⁸ (3) responded to the plaintiff’s demand letter;²⁰⁸⁹ or (4) allegedly caused harm to the defendant in Illinois within the meaning of *Calder*.²⁰⁹⁰

As this outcome suggests, the transmittal of a response to a demand letter typically does not create specific personal jurisdiction over the sender in the would-be plaintiff’s home forum, but what significance should the transmittal of a demand letter have in a declaratory judgment action brought by the letter’s recipient? One court addressing this issue concluded that the sending of such a letter into Missouri was nothing more than a “random and sporadic” contact with that state.²⁰⁹¹ It also was unimpressed with the plaintiff’s showing that the defendants operated a website accessible to Missouri residents, finding that “[the defendants] website is part of a ‘middle ground’ of interactive websites. The user can fill out a form and register through the website to become a ‘Solution Partner’ and is invited to ‘join our beta now’”; registered solution partners could then exchange information with the defendants but could not “make purchases, share files or perform business with [the defendants].”²⁰⁹² As an additional consideration, the fact that a Missouri-based third party had filled out an electronic form on the website did not render the third party an agent or a partner of the defendants.²⁰⁹³ Especially because “there is no evidence that anyone from Missouri confused [the defendants]’ mark with Plaintiff’s mark,” an exercise of specific personal jurisdiction as inappropriate.²⁰⁹⁴

2086. *Id.*

2087. *See id.* at 737 (“As a general rule, personal jurisdiction does not exist over a licensor by virtue of its status if it does not exercise control over the licensee’s sales activities and has no dealings with the licensee ‘beyond the receipt of royalty income.’” (quoting *Eragen Biosciences, Inc. v. Nucleic Acids Licensing, LLC*, 447 F. Supp. 2d 930, 938 (E.D. Wis. 2006)).

2088. *See id.* at 737-38 (“Without evidence that [the subsidiary] deliberately directed such advertisements to Illinois, the advertisements do not support a contention that [the subsidiary] purposefully availed itself of the privilege of conducting activities in Illinois.”).

2089. *See id.* at 738-39.

2090. *See id.*

2091. *See Clearpractice, LLC v. Nimble, LLC*, 819 F. Supp. 2d 892, 897 (E.D. Mo. 2011).

2092. *Id.* at 896.

2093. *See id.* at 897.

2094. *Id.*

Finally, the display of an offending mark on a website accessible in a particular state may not result in the website's operator being haled into court in that state even if the display is coupled with a television program featuring the mark and broadcast nationally via cable and satellite transmission.²⁰⁹⁵ One Oklahoma federal district court faced with just that scenario found that neither the lead defendant's broadcast nor its enjoyment of advertising revenue presumably generated within Oklahoma constituted a purposeful availment of the privilege of doing business in that state.²⁰⁹⁶ In addition, "the cause of action can arguably be said to have generally arisen out of [the lead defendant's] use of the allegedly infringing marks in [national] programming," but "that use does not create a causal connection to Oklahoma when the use of the [the] infringing mark was broadcast nationally and not specifically targeted as Oklahoma."²⁰⁹⁷ Likewise, "[t]hough it is possible that Oklahoma residents constituted a portion of the sales or 'leads' generated by . . . commercials [run during the defendants' show], that factor alone cannot establish that [the lead defendant] purposely directed its activities toward Oklahoma";²⁰⁹⁸ rather, "[t]he [lead defendant's] third-party advertisers are the parties that established direct contacts with Oklahoma residents by way of their infomercials and product sales."²⁰⁹⁹ With the plaintiff unable to demonstrate that the lead defendant's website occupied anything more than the "middle ground" of the interactivity spectrum,²¹⁰⁰ its bid to have its claims heard in Oklahoma failed for the additional reason that "merely placing information on the internet does not signify that a person has purposefully directed his activities toward each state in which the information is received."²¹⁰¹ Although the defendants otherwise "maintained at least six contractual relationships with Oklahoma entities,"²¹⁰² and although the website did result in the lead defendant's entry into a business relationship with one Oklahoma-based entity,²¹⁰³ the limited nature of those

2095. See *Outdoor Channel, Inc. v. Performance One Media, LLC*, 826 F. Supp. 2d 1271 (N.D. Okla. 2011).

2096. See *id.* at 1280-81, 1283-84.

2097. *Id.* at 1282.

2098. *Id.* at 1283 (internal quotation marks omitted).

2099. *Id.*

2100. See *id.* at 1285.

2101. *Id.* at 1287.

2102. *Id.* at 1288.

2103. The court identified several reasons why this contact with the state of Oklahoma was a "weak" one for purposes of the litigation, including that: (1) the parties had engaged in six months' worth of negotiations after the third party contacted the defendants through their website; (2) the plaintiff was not a party to the defendants' contract with the third

relationships and their lack of relevancy to the plaintiff's claims precluded an exercise of either specific or general personal jurisdiction over the lead defendant from comporting with traditional notions of fair play and substantial justice under the Due Process Clause.²¹⁰⁴

The court then turned its attention to the plaintiff's attempt to establish personal jurisdiction over the lead defendant's principal despite his submission of "a signed declaration in which [he] stated that (a) he is a resident of Colorado, . . . (b) . . . he owns no real or personal property in Oklahoma, and (c) he does not do business in Oklahoma or maintain any employees in Oklahoma."²¹⁰⁵ The court rejected the plaintiff's argument that any acts of the lead defendant could be imputed to the principal by invoking the "fiduciary shield doctrine," under which "an organization's jurisdictional acts cannot be attributed to the individual officers of that organization."²¹⁰⁶ It similarly disposed of the plaintiff's argument that the principal's filing of federal applications to register two of the allegedly infringing marks at issue exposed him to being haled into court on Oklahoma by noting that "[the principal's] failed attempt to register two allegedly infringing trademarks does not have any relationship to Oklahoma whatsoever."²¹⁰⁷ The court therefore dismissed the action in its entirety without leave to amend the complaint "to further develop facts in support of personal jurisdiction."²¹⁰⁸

4. Venue

Venue challenges can take several forms under federal law. These include motions 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."²¹⁰⁹ Challenges to venue also can take the form of motions to dismiss brought under 28 U.S.C. § 1406(a), which authorizes federal district courts to transfer or dismiss cases "laying venue in the wrong division or district."²¹¹⁰ Finally, the

party; (3) although the contract resulted in the display of the allegedly infringing marks, the audience for that display was limited; and (4) the display of the marks was "collateral to the contractual relationship." *Id.* at 1288-89.

2104. *See id.* at 1290-97.

2105. *See id.* at 1297.

2106. *Id.*

2107. *Id.*

2108. *Id.* at 1298.

2109. 28 U.S.C. § 1404(a) (2012).

2110. *Id.* § 1406(a).

doctrine of *forum non conveniens* permits district courts to dismiss actions before them “when considerations of convenience, fairness, and judicial economy so warrant.”²¹¹¹

a. Cases Finding Venue Appropriate

Venue in a federal court action will properly lie in a district where “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 the action may otherwise be brought.”²¹¹² Whether to maintain an action in such a district or, alternatively, to transfer it to another one typically turns on the consideration of a number of factors, including the following:

- (1) the plaintiff’s initial choice of forum; (2) relative ease of access to sources of proof; (3) availability of compulsory process for attendance of unwilling witnesses, and the cost of obtaining attendance of willing and unwilling witnesses; (4) possibility of a view of the premises, if appropriate; (5) enforceability of a judgment, if one is obtained; relative advantage and obstacles to a fair trial; (6) other practical problems that make a trial easy, expeditious, and inexpensive; (7) administrative difficulties of court congestion; (8) local interest in having localized controversies settled at home; (9) appropriateness in having a trial of a diversity case in a forum that is at home with the state law that must govern the action; and (10) avoidance of unnecessary problems with conflicts of law.²¹¹³

In an application of these factors, “[a] plaintiff’s choice of forum is given considerable weight and ‘unless the balance is strongly in favor of the defendant, the plaintiff’s choice of forum should rarely be disturbed.’”²¹¹⁴

Despite the deference to which it will be entitled under ordinary circumstances, “[a] plaintiff’s choice of forum . . . receives less weight when (1) the plaintiff chooses a foreign forum, or (2) the cause of action bears little or no relation to the chosen

2111. *Sinochem Int’l Co. v. Malay Int’l Shipping Corp.*, 549 U.S. 422, 432 (2007).

2112. 28 U.S.C. § 1391(b).

2113. *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 564-65 (M.D.N.C. 2011) (quoting *Speed Trac Techs., Inc. v. Estes Express Lines, Inc.*, 567 F. Supp. 2d 799, 802 (M.D.N.C. 2088)).

2114. *Id.* at 565 (quoting *Collins v. Straight, Inc.*, 748 F.2d 916, 921 (4th Cir. 1984) (quoting *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1946))).

forum.”²¹¹⁵ The first of these propositions took center stage in a North Carolina federal district court’s disposition of a motion to transfer based in part on apparent presence in the proposed forum, the Southern District of New York, of the lead plaintiff’s principal, who was the owner of the mark at issue and herself an individual plaintiff.²¹¹⁶ Although the lead plaintiff was a North Carolina limited liability company with a Winston-Salem address, the defendant was able to support its motion with evidence that the individual plaintiff regularly traveled to New York City, owned a lease there, and had even promoted herself as living there. The court found more convincing the plaintiffs’ showings that the individual plaintiff rented property, was registered to vote, and attended classes in North Carolina, as well as that she held a North Carolina driver’s license.²¹¹⁷ With that threshold issue out of the way, the court found that all other factors of record favored its keeping the litigation, including that “moving the case to New York would cause Plaintiffs to retain local counsel and thereby simply *reverse* the burden of most of the alleged counsel and discovery costs of which [the defendant] complains.”²¹¹⁸ For this and the additional reasons that the plaintiffs had voluntarily assumed the risk of collecting in New York any judgment they might receive, that the forum court was as capable as any in the Southern District of New York to address the plaintiffs’ federal claims, and that no conflict-of-law issues would be raised by the case being heard in North Carolina, the defendants’ motion was denied.²¹¹⁹

b. Cases Finding Venue Inappropriate

Although a plaintiff’s choice of forum is properly entitled to deference, that deference is not absolute, especially if venue is inappropriate under 28 U.S.C. § 1391. Having determined that one plaintiff’s choice of forum failed to satisfy the requirements of that statute, a Minnesota federal district court was faced with the choice of dismissing the action outright or, alternatively, granting the defendants’ motion to transfer it to the Southern District of New York.²¹²⁰ To the court, the proper course of action was clear:

²¹¹⁵. *Rebel Debutante LLC v. Forsythe Cosmetic Grp.*, 799 F. Supp. 2d 558, 564-65 (M.D.N.C. 2011).

²¹¹⁶. *See id.* at 565-66.

²¹¹⁷. *See id.* at 565-66.

²¹¹⁸. *Id.* at 566.

²¹¹⁹. *See id.* at 566-67.

²¹²⁰. *See Bel Canto Design, Ltd. v. MSS HiFi*, 813 F. Supp. 2d 1119 (D. Minn. 2011). The court’s determination that venue was inappropriate under 28 U.S.C. § 1391(a)-(b) was based on its findings that one of the defendants did not reside in Minnesota and that goods

“[R]etaining the action in Minnesota only creates procedural uncertainty and delays resolution of the merits of the action. In contrast, a substantial part—if not all—of the relevant events occurred in New York, where venue and personal jurisdiction are unquestioned.”²¹²¹

5. Class Certification

Cases to vindicate rights under the Lanham Act are rarely attractive candidates for class certification, and one opinion over the past year identified and addressed the multiple reasons why.²¹²² The defendants operated Internet search engines, which the plaintiffs alleged had violated their rights by selling their marks as triggers for paid advertising, often by recommending marks and other keywords for purchase. The plaintiffs proposed the certification of two classes of federal registrants whose marks had been subjected to this process, the first consisting of federal registrants within the state of Texas and the second consisting of federal registrants within the United States generally.²¹²³

The court denied the requested certification as the proposed classes failed to satisfy the requirements of Rule 23(a) of the Federal Rules of Civil Procedure,²¹²⁴ especially Rule 23(a)(2), which requires questions of law and fact common to the members of the proposed class.²¹²⁵ Although the plaintiffs maintained that the members of the proposed classes were subject to the same risk of initial interest confusion, the court held that “[t]o determine whether Defendants are liable under this theory, the court must

bearing the allegedly infringing marks were not sold in the forum. *See Bel Canto*, 813 F. Supp. 2d at 1123.

2121. *Id.*

2122. *See* FPX, LLC v. Google, Inc., 276 F.R.D. 543, 549 (E.D. Tex. 2011).

2123. *See id.* at 547.

2124. As the court explained of Rule 23(a) generally:

To show that class certification is justified, the plaintiffs must satisfy the four requirements of Federal Rule of Civil Procedure 23(a). Rule 23(a) provides that a class may be certified if: (1) the class is so numerous that joinder of all members is impracticable; (2) there are questions of law or fact common to the class; (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and (4) the representative parties will fairly and adequately protect the interests of the class.

Id. at 547.

2125. According to the court, “the commonality analysis ‘requires the court to determine (1) whether the class members’ claims “will in fact depend on the answers to common questions,” and (2) whether classwide proceedings have the capacity to “generate common answers apt to drive the resolution of the litigation.’” *Id.* at 549 (quoting *United States v. City of New York*, 276 F.R.D. 22, 28 (S.D.N.Y. 2011) (quoting *Wal-Mart Stores, Inc. v. Dukes*, 131 S. Ct. 2541, 2554, 2551 (2011)) (citations omitted) (internal quotation marks omitted)).

address each of the [relevant likelihood-of-confusion] factors . . . for each instance of alleged trademark infringement.”²¹²⁶ As a consequence, “even if . . . [the lead defendant’s] policy results in initial interest confusion with regard to . . . [the class representatives’] trademark[s], that does not necessarily mean that [the lead defendant’s] policy results in initial interest confusion with regard to the other putative class members’ trademarks.”²¹²⁷

Of equal importance, the proposed classes failed to satisfy the requirements of Rule 23(b). On this issue, the plaintiffs invoked Rule 23(b)(2), which provides that a class action “may be maintained if . . . the party opposing the class has acted or refused to act on grounds that apply generally to the class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the class as a whole.”²¹²⁸ The court set forth myriad ways in which resolution of the claims of the various class members would require “complex individualized determinations’ and ‘numerous individualized hearings.’”²¹²⁹ Those swept in, *inter alia*, “the complicated and highly fact-intensive analysis involved in determining the validity of a registered mark,”²¹³⁰ “the highly complex and fact intensive inquiry that is required to determine whether a likelihood of confusion exists with regard to each of the Plaintiffs’ marks,”²¹³¹ and “the fact-specific inquiries the court would have to evaluate to address Defendants’ affirmative defenses,” which included that: “(1) the marks [sic] were obtained fraudulently; (2) the marks have been abandoned; (3) the marks are being used to misrepresent the source of goods or services; and (4) the defendant is making fair use of the marks.”²¹³² Indeed, even the plaintiffs’ request for injunctive relief and a disgorgement of the defendants’ profits, would require individualized inquiries because of the equitable nature of those remedies.²¹³³

2126. *Id.* at 549.

2127. *Id.* at 550.

2128. Fed. R. Civ. P. 23(b)(2).

2129. *FPX*, 276 F.R.D. at 550 (quoting *Langbecker v. Elec. Data Sys. Corp.*, 476 F.3d 299, 317 (5th Cir. 1998)).

2130. *Id.* at 551.

2131. *Id.*

2132. *Id.*

2133. *See id.* at 552-53.

6. Claim and Issue Preclusion

a. Claim Preclusion (*Res Judicata*)

“Claim preclusion prohibits parties from litigating any claim that was, or could have been, litigated in a matter.”²¹³⁴ This doctrine, also known as *res judicata*, “bars relitigation of a claim if: (1) the prior judgment was rendered by a court of competent jurisdiction; (2) the prior judgment was a final judgment on the merits; and (3) the same cause of action and the same parties or their privies were involved in both cases.”²¹³⁵ Whether claim preclusion exists is a question of law, reviewable on a *de novo* basis.²¹³⁶

In the leading opinion over the past year to hold claim preclusion inapplicable, the Eighth Circuit reviewed the outcome of a bench trial in a suit brought by the owner of the FIRST NATIONAL, FIRST NATIONAL BANK, and FIRST NATIONAL BANK IN SIOUX FALLS for banking services against competitors using the FIRST NATIONAL BANK SOUTH DAKOTA.²¹³⁷ An earlier action between the plaintiff and the lead defendant had led to a permanent injunction allowing the lead defendant to use its full name within a ten-mile radius of Sioux Falls, but the rematch resulted in injunctive relief against even that use within an eighteen-mile radius of the city. This modification of the original injunction, the Eighth Circuit held, was not barred by the claim preclusion principles:

Here, the district court found that the nucleus of operative facts has changed, stating that “the manner in which the trademarks are allegedly infringed” and the “evidence of confusion and the likelihood of confusion” both changed “substantially.” In particular, the district court found that consumer confusion could be enhanced by [the defendants’] opening of a branch office just two blocks away from [the plaintiffs’] principal office, instead of a mile away as planned at the time of the first suit. Indeed, [the plaintiff] presented evidence that some consumers believed the site two blocks away was simply a new drive-through window for [the

2134. *Dorpan, S.L. v. Hotel Melia, Inc.*, 851 F. Supp. 2d 398, 407 (D.P.R. 2012); *see also id.* at 407-08 (rejecting claim of issue preclusion as a matter of law on grounds that “the [earlier] judgment was not on the merits and the parties are not the same between the [earlier] litigation and the present case”).

2135. *First Nat’l Bank in Sioux Falls v. First Nat’l Bank S.D.*, 679 F.3d 763, 767 (8th Cir. 2012) (quoting *Lane v. Peterson*, 899 F.2d 737, 742 (8th Cir. 1990)).

2136. *See id.*

2137. *See id.* at 766-67.

plaintiff's] principal office, rather than a branch of a competing bank.²¹³⁸

As a consequence, “[b]ecause the ‘nucleus of operative facts’ in this action includes facts not common to the prior action, this action is not barred by res judicata.”²¹³⁹

b. Issue Preclusion (Collateral Estoppel)

Issue preclusion, also known as collateral estoppel, generally prohibits relitigation of issues expressly or necessarily decided in prior litigation. According to one court’s explanation of the doctrine:

A party seeking to invoke the doctrine of collateral estoppel must establish that (1) the issue sought to be precluded in the later action is the same as that involved in the earlier action; (2) the issue was actually litigated; (3) the issue was determined by a valid and binding final judgment; and (4) the determination of the issue was essential to the judgment.²¹⁴⁰

One court applying this test was the First Circuit.²¹⁴¹ Earlier litigation between the parties before a Florida district court had produced determinations that the plaintiff had irrevocably assigned the disputed mark to the defendant and that, although the plaintiff retained a reversionary interest in the mark, it had failed to terminate the assignment in a way that triggered the reversionary interest. When the plaintiff filed a later infringement and unfair competition suit in Florida, the outcome in the earlier litigation was given preclusive effect, and the plaintiff, rather than the defendant, wound up on the receiving end of a preliminary injunction. The First Circuit declined to disturb this result, noting that “[the parties] litigated the issue of reversion before the Florida district court, and the Florida court’s determination was final at the summary judgment stage.”²¹⁴² Because the plaintiff had therefore failed to establish its ownership of the disputed mark in the earlier case, it was not entitled to a second bite at the apple.²¹⁴³

2138. *Id.* at 768.

2139. *See id.*

2140. *Dorpan, S.L. v. Hotel Melia, Inc.*, 851 F. Supp. 2d 398, 404-05 (D.P.R. 2012) (quoting *Ramallo Bros. Printing, Inc. v. El Dia, Inc.*, 490 F.3d 86, 90 (1st Cir. 2007)).

2141. *See Mercado-Salinas v. Bart Enters. Int’l, Ltd.*, 671 F.3d 12 (1st Cir. 2011).

2142. *Id.* at 22.

2143. *See id.*

Collateral estoppel principles came into play at the district court level as well,²¹⁴⁴ with one Ohio federal district court concluding that a failure by the plaintiffs to prove contributory infringement in an earlier case against a third-party competitor precluded the plaintiffs from prosecuting contributory infringement claims against a different competitor allegedly engaged in the same practices.²¹⁴⁵ Both cases in question centered on the defendants' distribution of paper towels that fit into dispensers leased by the plaintiffs; the earlier one produced a finding of nonliability after a bench trial in the Western District of Arkansas, which the Eighth Circuit declined to disturb on appeal.²¹⁴⁶

Addressing the significance of the earlier case in the context of the defendant's motion to dismiss for failure to state a claim, which the court treated as one for summary judgment,²¹⁴⁷ the Ohio court observed that:

To establish issue preclusion, the defendant must show:

1. Identity of issues in the earlier and later litigation;
2. The parties in the prior action and the court adjudicated the issue;
3. Resolution of the issue was necessary and essential to a judgment on the merits in the prior litigation;
4. The party to be estopped was a party to the prior litigation (or in privity with such a party); and
5. The party to be estopped had a full and fair opportunity to litigate the issue.²¹⁴⁸

The court then rejected the plaintiff's argument that the differing geographic areas served by the defendants in the two cases precluded an identity of issues, especially in light of the plaintiffs' reliance on survey results not at issue in the earlier case: As the court noted, "[t]he consumer survey attached to plaintiffs' opposition does not include consumers in Northern Ohio or Northeastern Indiana,"²¹⁴⁹ and, in any case, "plaintiffs provide no

2144. *See, e.g., Universal Furniture Int'l, Inc. v. Frankel*, 835 F. Supp. 2d 35, 40-44 (M.D.N.C. 2011) (holding as a matter of law in lawsuit against individual defendant and officer of company previously held liable for unfair competition that relitigation of the merits of plaintiff's reverse passing off claims was unnecessary).

2145. *See Ga.-Pac. Consumer Prods. LP v. Four-U-Packaging, Inc.*, 821 F. Supp. 2d 948 (N.D. Ohio. 2011), *aff'd*, 701 F.3d 1093 (6th Cir. 2012).

2146. *See Ga.-Pac. Consumer Prods. LP v. Myers Supply, Inc.*, 621 F.3d 771 (8th Cir. 2010).

2147. *See Four-U-Packaging*, 821 F. Supp. 2d at 955.

2148. *Id.* at 952.

2149. *Id.* at 953 n.4.

reason for why a survey of paper towel distributors or restroom users [in those markets] would produce different results than those in Arkansas.”²¹⁵⁰ The court was equally skeptical of the plaintiffs’ argument that the inquiry into a defendant’s intent under the likelihood-of-confusion test was necessarily a subjective one, concluding instead that “the district court in Arkansas, in finding lack of intent on the defendant’s part, relied not on defendant-specific intent or practice, but rather on the common industry practice of ‘stuffing’ (putting paper towels into dispensers of a different brand).”²¹⁵¹ Likewise, neither the availability of Ohio-law claims nor the differing tests for likely confusion in the Sixth and the Eighth Circuits made a difference because “[t]he underlying issues of fact for the Arkansas and Ohio claims are identical”²¹⁵² and because “[t]he ultimate question in both circuits remains the same: namely, whether consumers would be confused as to who has made a product on the basis of an identifying mark.”²¹⁵³ Finally, a Fourth Circuit opinion in a case brought by the plaintiffs against another third-party defendant accused of the same conduct²¹⁵⁴ was not inconsistent with the Eighth Circuit’s opinion because the Fourth Circuit had merely vacated the grant of a defense motion for summary judgment, rather than mandating or affirming a finding of likely confusion.²¹⁵⁵

One court rejecting a claim of issue preclusion focused on the applicability of non-mutual collateral estoppel:

Non-mutual collateral estoppel is used offensively when it is used by a plaintiff who seeks to preclude a defendant from re-litigating an issue the defendant has previously unsuccessfully litigated. Non-mutual collateral estoppel is used defensively when a defendant seeks to preclude a plaintiff from re-litigating an issue the plaintiff has previously unsuccessfully litigated.²¹⁵⁶

The claim of non-mutual collateral estoppel before the court was defensive in nature and was intended to prevent the prosecution of an infringement suit based on the plaintiff’s alleged default in an earlier proceeding involving the same mark brought by one of the defendants in a Puerto Rico court. Unfortunately for the defendant invoking the doctrine, which was raised in the

2150. *Id.* at 953.

2151. *Id.*

2152. *Id.* at 954.

2153. *Id.* at 954-55.

2154. *See Ga.-Pac. Consumer Prods. LP v. von Drehle Corp.*, 618 F.3d 441 (4th Cir. 2010).

2155. *See Four-U-Packaging*, 821 F. Supp. 2d at 955.

2156. *Dorpan, S.L. v. Hotel Melia, Inc.*, 851 F. Supp. 2d 398, 405 (D.P.R. 2012) (citation omitted).

context of cross-motions for summary judgment, the parties and procedural disposition of the earlier case failed to satisfy the strict requirements for issue preclusion. To begin with, the moving defendant failed to demonstrate to the court's satisfaction that the plaintiff was in privity with the losing party in the earlier case; rather, the evidence at best showed that the plaintiff had acquired a company with the same name as the losing party.²¹⁵⁷ The court was similarly disinclined to give the earlier case preclusive effect because that case had been resolved by a default judgment.²¹⁵⁸ And, because "the issues in the [earlier] [c]ase were not actually litigated, it follows that the determination of . . . rights by the state court was not essential to the judgment that was entered."²¹⁵⁹

c. Judicial Estoppel

The concept of judicial estoppel, which prevents parties from adopting successive inconsistent positions in legal proceedings, depends on the flexible application of a set of nonexhaustive factors:

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 would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped.²¹⁶⁰

Whether judicial estoppel properly applied to representations made in filings with the USPTO was the subject of a contempt proceeding in which an individual defendant was identified in a number of applications as the principal of the applicant, a limited liability partnership.²¹⁶¹ To escape the effect of a permanent injunction entered against the LLP and its "officers, directors, principals, servants, employees, successors, and assigns,"²¹⁶² the individual defendant maintained that in fact the LLP did not exist

2157. *See id.* at 406.

2158. *See id.* at 407.

2159. *Id.*

2160. *BeautyBank, Inc. v. Harvey Prince LLP*, 811 F. Supp. 2d 949, 957 (S.D.N.Y. 2011) (alteration in original) (quoting *New Hampshire v. Maine*, 532 U.S. 742, 750-51 (2001) (internal quotation marks omitted)).

2161. *See id.* at 951-52.

2162. *Quoted in id.* at 955.

and blamed the references to it on the trademark attorney filing the applications. The court found that the plaintiff had failed to prove that the LLP had ever been organized, and it additionally held that the individual defendant was not judicially estopped from arguing the contrary. Although there was no doubt that the first two of the relevant factors weighed in the plaintiff's favor, the same was not true with respect to the third:

While it is true that [the individual defendant] made false statements to the USPTO, these acts did not cause him to derive an unfair advantage or cause [the plaintiff] to suffer an unfair detriment. This is not a scenario where [the individual defendant] changed his position in order to gain an advantage in the litigation or to avoid liability. [The individual defendant's] conduct has not prevented [the plaintiff] from suing him personally and does not prevent [the plaintiff] from obtaining a judgment against him in the future and collecting on that judgment. Accordingly, judicial estoppel should not be applied to enforce the Injunction against [the individual defendant].²¹⁶³

7. Extraterritorial Application of the Lanham Act

Federal law may be applied on an extraterritorial basis under some circumstances, but the Fourth Circuit passed up the opportunity to do so in reversing a finding of liability against a group of defendants domiciled in either the United Arab Emirates or China.²¹⁶⁴ Having failed to allege that the defendants' infringement had resulted in a likelihood of confusion among domestic consumers, the plaintiffs belatedly argued that they were being economically damaged in the United States by diverted sales abroad. In rejecting this assertion, the court held that "[a]lthough the Lanham Act applies extraterritorially in some instances, only foreign acts having a significant effect on U.S. commerce are brought under its compass."²¹⁶⁵ It then distinguished the cases relied upon by the plaintiffs by noting that:

Other circuits have posited that the Lanham Act's significant-effect requirement may be satisfied by extraterritorial conduct even when that conduct will not cause confusion among U.S. consumers. Under this diversion-of-sales theory, courts find a significant effect on U.S. commerce where sales to foreign consumers would jeopardize the income of an

²¹⁶³ *Id.* at 958.

²¹⁶⁴ *See* *Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012) (per curiam).

²¹⁶⁵ *Id.* at 310.

American company. The doctrine is narrowly applied, however, because the injury in this context—harm to a U.S. business’s income absent confusion among U.S. consumers—is less tightly tied to the interests that the Lanham Act intends to protect, since there is no United States interest in protecting foreign consumers. Thus courts invoking the diversion-of-sales theory have required the defendants to be U.S. corporations that conducted operations—including at least some of the infringing activity—within the United States. Only in such instances is there a sufficient nexus between U.S. commerce and the infringing activity.²¹⁶⁶

The defendants’ conduct in the case at hand failed to satisfy this standard because “[the defendants] are not U.S. corporations and they lack a pervasive system of domestic operations.”²¹⁶⁷ Consequently, “we cannot conclude that the extraterritorial conduct—exclusively foreign sales of infringing [goods]—has a significant effect on U.S. commerce as required by the dictates of the Lanham Act.”²¹⁶⁸

Other opinions also adopted restrictive approaches to the extraterritorial application of the Lanham Act.²¹⁶⁹ One did so in the context of a discovery dispute after the plaintiff in the action sought to compel the production of records relating to the defendants’ sale outside the United States of goods bearing allegedly infringing marks.²¹⁷⁰ The court rebuffed its efforts under the Second Circuit’s *Vanity Fair* test for determining whether the Lanham Act can reach infringing activity taking place abroad, which takes into consideration “(1) whether the defendant is a United States citizen; (2) whether there is a conflict between the plaintiff’s trademark rights in the United States and the defendant’s trademark rights under foreign law; and (3) whether the defendant’s conduct has a ‘substantial effect on United States commerce.’”²¹⁷¹ The court focused primarily on the third factor, which the plaintiff argued was satisfied by the defendants’ domestic support for allegedly infringing foreign activities by their affiliates and licensees. Citing to controlling Second Circuit

2166. *Id.* at 310-11 (alteration in original omitted) (citations omitted) (internal quotation marks omitted).

2167. *Id.* at 311.

2168. *Id.*

2169. *See, e.g.*, *Benihana of Tokoyo, Inc. v. Benihana, Inc.*, 828 F. Supp. 2d 720, 729-30 (D. Del. 2011) (taking into account “the values of judicial economy, convenience, fairness, and comity” in declining to exercise jurisdiction over complaint targeting foreign infringement).

2170. *See Gucci Am., Inc. v. Guess?, Inc.*, 790 F. Supp. 2d 136 (S.D.N.Y. 2011).

2171. *Id.* at 142 (quoting *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956)).

authority to the contrary,²¹⁷² the court disagreed, holding instead that “[a] defendant’s domestic activity, even if ‘essential’ to infringing activity abroad, is alone sufficient to constitute a substantial effect on United States commerce.”²¹⁷³

Having articulated this legal rule, the court then took issue with the plaintiff’s factual showings on the issue. After an exhaustive review of the record, it found, *inter alia*, that: (1) “none of the documents [the plaintiff] offers [in support of its proposed motion to compel] appear[s] to relate to products that contain the marks at issue”;²¹⁷⁴ (2) “[t]here is no evidence that the allegedly infringing products were offered to purchasers abroad, or that those products sold to foreign purchasers re-entered the United States to cause confusion”;²¹⁷⁵ (3) “[the plaintiff] has not offered any evidence that consumers in the United States have come to view the marks in question less favorably because of Defendants’ sale[s] to foreign purchasers”;²¹⁷⁶ and (4) “[e]vidence that certain Defendants have domestic facilities for foreign shipping or that some decision-making regarding Defendants’ foreign activities” was “immaterial.”²¹⁷⁷ Because the plaintiff’s proposed motion to compel was unlikely to lead to the discovery of admissible evidence, permission to file it was denied.²¹⁷⁸

In contrast, a different United States-based plaintiff successfully secured a temporary restraining order against the use by a Canadian corporation and its affiliates of an infringing mark at a conference in Singapore.²¹⁷⁹ The court began its analysis with the broad statement that “Congress has the power to prevent unfair trade practices in foreign commerce by citizens of [the] United States, although some of the acts are done outside the territorial limits of [the] United States.”²¹⁸⁰ It then went on to hold that:

[T]his Court may issue an injunction having extraterritorial effect in order to prevent trademark violations under the Lanham Act where: the extraterritorial conduct would, if not enjoined, have a significant effect on United States commerce, and then only after consideration of the extent to which the citizenship of the defendant and the possibility of conflict with

2172. *See* *Atl. Richfield Co. v. Arco Globus Int’l Co.*, 150 F.3d 189, 193 (2d Cir. 1998).

2173. *Gucci Am.*, 790 F. Supp. 2d at 144.

2174. *Id.* at 145.

2175. *Id.*

2176. *Id.*

2177. *Id.* at 146.

2178. *See id.* at 147.

2179. *See* *Basis Int’l, Ltd. v. Research in Motion Ltd.*, 827 F. Supp. 2d 1302 (D.N.M. 2011).

2180. *Id.* at 1305-06.

trademark rights under the relevant foreign law might make issuance of the injunction inappropriate in light of international comity concerns. The tests that courts have used to decide whether extraterritorial application of the Lanham Act is proper vary slightly, but all of them require that the plaintiff prove a substantial or significant effect on U.S. commerce.²¹⁸¹

The court's subsequent finding that just such a substantial or significant effect on United States commerce existed was based on a pair of showings by the plaintiff, the first of which was that although "only several of the 700 people who will be attending the conference will be from the United States," the nature of the software products sold by the parties "is making worldwide dissemination of information more easily accessible than before";²¹⁸² the second was that actual confusion already had occurred, and it would be "naive to believe that further confusion . . . in the United States will be confined to only those attending the conference from this country."²¹⁸³ In light of the court's additional findings that the lead defendant had "a presence in the United States necessary in order to make injunctive relief proper,"²¹⁸⁴ as well as "no trademark registration or other protectable rights in Singapore which might pose a conflict with foreign law,"²¹⁸⁵ an extraterritorial application of United States law was appropriate.²¹⁸⁶

8. Expert Witness Testimony

Federal Rule of Evidence 702 governs the admissibility of expert testimony in federal court litigation. Under it, district courts are obligated to act as gatekeepers, admitting expert testimony only "if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the expert has reliably applied the principles and methods to the facts of the case."²¹⁸⁷ Admissibility may also, of course, depend on the proffering party's compliance with any

2181. *Id.* at 1306 (citation omitted).

2182. *Id.*

2183. *Id.*

2184. *Id.*

2185. *Id.*

2186. *See id.* at 1307.

2187. Fed. R. Evid. 702.

deadline for the disclosure of expert witness testimony set by the court.²¹⁸⁸

The decision to admit or to exclude expert witness testimony under FRE 702 is a matter left to the discretion of the trial court, and the deferential abuse of discretion standard of review helped lead the Fourth Circuit to affirm the admission of the testimony of an expert who had conducted a survey in support of the plaintiff's trade dress infringement claims.²¹⁸⁹ One basis of the defendant's attack on the expert's testimony was that the expert had not previously conducted a trademark or trade dress survey, but, as the court noted, "[the defendant] provides no support for its argument that consumer survey research in trade dress litigation is *sui generis* such that an expert's lack of experience in designing these specific surveys necessarily disqualifies him from giving an expert opinion."²¹⁹⁰ The court was equally unwilling to "hold against [the expert], as [the defendant] apparently would have us do, his failure to access any survey questionnaires that had been offered and accepted in court in [previous] trade dress litigation."²¹⁹¹ Finally, and in any case, "[w]hile there will be occasions when the proffered survey is so flawed as to be completely unhelpful to the trier of fact and therefore inadmissible, such situations will be rare."²¹⁹²

Outside the context of confusion surveys, proffers of expert witness testimony received varying treatments. One defendant put forth two experts who were "unquestionably qualified" in their respective fields,²¹⁹³ but those qualifications got the experts' testimony only so far. The first expert was put forward to address "the policies, practices and procedures of the PTO,"²¹⁹⁴ and the court held that "[t]he evidence in this case involves proceedings before the PTO, and it would be helpful to the jury to have an overall understanding of the way in which the PTO operates."²¹⁹⁵ Nevertheless, the court drew the line at the expert's proposed testimony that the plaintiff had not been using its mark in commerce as of the filing date of its use-based application to register the mark and that the specimens submitted in support of

2188. For an opinion excluding expert testimony based on its untimely disclosure, see *Mobile Shelter Systems USA, Inc. v. Grate Pallet Solutions, LLC*, 845 F. Supp. 2d 1241, 1250-52 (M.D. Fla. 2012).

2189. See *Belk, Inc. v. Meyer Corp.*, 679 F.3d 146 (4th Cir. 2012).

2190. *Id.* at 162.

2191. *Id.*

2192. *Id.* at 163 (alteration in original) (quoting *PBM Prods., LLC v. Mead Johnson & Co.*, 639 F.3d 111, 123 (4th Cir. 2011) (internal quotation marks omitted)).

2193. See *Fancaster, Inc. v. Comcast Corp.*, 832 F. Supp. 2d 380, 407, 408 (D.N.J. 2011).

2194. *Id.* at 407.

2195. *Id.* at 408.

that application should not have been accepted. That testimony was excluded because the court found it based on an incomplete record and because it inappropriately usurped the role of the factfinder.²¹⁹⁶

The court's disposition of the proposed testimony of the second expert witness, who had been retained to address the "technological issues of internet functionality and cyber piracy" raised by the defendant's counterclaim under the ACPA²¹⁹⁷ was similar. The second expert's testimony was admissible to the extent that it described "the origin and development of the system of Internet domain names and the problems created by cyber squatters";²¹⁹⁸ [t]his information, the court held, "will be of assistance to the jury as it deals with [the ACPA] claims."²¹⁹⁹ In contrast, the court was unwilling to accept the witness's testimony on the requirements for a finding of liability under the ACPA and to his opinion that those requirements had been satisfied and the defendant was entitled to an award of statutory damages. As the court explained in precluding the expert from weighing in on the ACPA's requirements, "[a] jury should not be receiving instructions on the law from two sources, and however erudite and accurate they may be, [the expert's] instructions will not be allowed to compete with the Court's instructions."²²⁰⁰ It then excluded his testimony as to the liability inquiry as well, holding that "[h]ere, the expert assumes the role of the fact finder and is therefore not performing the role of an expert."²²⁰¹

The wide range of possible judicial reactions to proffered expert witnesses was apparent in a single case in which the plaintiff retained two witnesses to testify in support of its claims that the defendants' packaging falsely depicted the appearance of the defendants' packaging.²²⁰² The first was put forward as an expert in consumer behavior and marketing to testify on the subjects of materiality, likelihood of confusion, and causation. His report indicated that he reviewed "some" of the defendants' packaging, representations of a "variety" of the defendants' products, either "several" or "quite a few" consumer complaints, certain discovery materials generated in the course of the

2196. *See id.*

2197. *Id.*

2198. *Id.* at 409.

2199. *Id.*

2200. *Id.*

2201. *Id.*

2202. *See Aviva Sports, Inc. v. Fingerhut Direct Mktg., Inc.*, 829 F. Supp. 2d 802 (D. Minn. 2011).

litigation, and “some” literature.²²⁰³ Perhaps not surprisingly, the court concluded that it had “serious concerns” about the factual bases of the witness’s opinions:

He kept no record of the products he viewed, the websites he visited, or the number of consumer comments he read. When asked during his deposition which Manley products he examined, where he examined them, what websites he visited, how many complaints he reviewed, to which products those complaints were related, the source of those complaints, or even the literature he reviewed, he did not know or could not remember. This lack of factual detail and documentation is concerning, to say the least.²²⁰⁴

The court barred the witness’s testimony because “[w]hile an expert does not necessarily have to conduct quantitative testing, here there is no other factual basis for [his] broad conclusions.”²²⁰⁵ In particular, “[a]fter excluding [the witness’s] specific conclusions, all that is left is essentially an academic lecture about the importance of visual information in marketing”²²⁰⁶ That information, the court concluded, “is common sense and well within the knowledge or experience of laypeople.”²²⁰⁷

The court was far more receptive to testimony from the second witness, whose expertise lay in “human factors, human perception and performance, anthropometry, safety, and risk analysis.”²²⁰⁸ In contrast to the first witness, the second “physically examined twenty-six [of the defendants’] products and analyzed product packaging images for thirty-six additional products”;²²⁰⁹ moreover, “[f]or the thirty-six products that [the witness] did not physically examine, he obtained images from which he could perform some analysis.”²²¹⁰ From the resulting data, he opined that that “[m]any of the [defendants’] product packages misrepresent the size of the product contained in the box by shrinking the [accompanying] children [also depicted on the box], relative to the products, who are shown in the promotional images.”²²¹¹ Although the defendants raised “a litany of perceived flaws” in the witness’s methodology,²²¹² “[t]he principles and methods [the witness] used,

2203. *Quoted in id.* at 824.

2204. *Id.*

2205. *Id.* at 826.

2206. *Id.* at 827.

2207. *Id.*

2208. *Id.* (footnote omitted).

2209. *Id.*

2210. *Id.* at 828.

2211. *Quoted in id.* at 828 (first alteration in original).

2212. *See id.*

and his application of those principles and methods to the facts, were sufficiently reliable” to warrant the admission of his testimony.²²¹³

9. Sanctions

Sanctions under Rule 11 of the Federal Rules of Civil Procedure are relatively rare in trademark and unfair competition suits, but that did not stop the Second Circuit from affirming the invocation of that rule to the detriment of a plaintiff that had unsuccessfully prosecuted a false advertising claim.²²¹⁴ The first issue addressed by the appellate court was whether the defendant had complied with Rule 11’s requirement that it warn the plaintiff of its intent to seek sanctions under the rule.²²¹⁵ Although the notice served by the defendant included a Rule 11 motion that referred to, but was unaccompanied by, a supporting memorandum and two affidavits, the court was untroubled by the missing materials. Instead, it held, the rule on its face required service of only a “motion,” and “[t]o require that a party go through the expense of preparing a fully supported motion with a memorandum of law and exhibits would undermine one of the main purposes of the safe harbor provision, *i.e.*, ‘to reduce, if not eliminate, the unnecessary expenditure of . . . adversary resources.’”²²¹⁶ Because the motion in and of itself had alerted the plaintiff to the grounds on which the defendant intended to seek sanctions, there was “no question” that the plaintiff had had the opportunity to withdraw its claims before the motion itself was formally filed and served.²²¹⁷

Having thus disposed of the procedural basis of the plaintiff’s appeal, the court then affirmed the district court’s sanctions order on the merits. The plaintiff’s false advertising cause of action was grounded in the theory that the defendant had used “hoisin,” the Korean word for seafood, to describe a sauce that did not, in fact, contain seafood. The Second Circuit determined that argument to be sanctionable for the same reason as had the district court:

2213. *Id.* at 830.

2214. *See* *Star Mark Mgmt., Inc. v. Koon Chun Hing Kee Soy & Sauce Factory, Ltd.*, 682 F.3d 170 (2d Cir. 2012) (per curiam).

2215. Rule 11’s so-called “safe harbor” provision provides in relevant part that:

A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates Rule 11(b). The motion must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets.

Fed. R. Civ. P. 11(c)(2).

2216. *Star Mark Mgmt.*, 682 F.3d at 177 (alteration in original) (quoting *Lawrence v. Richman Grp. of CT LLC*, 620 F.3d 153, 158 (2d Cir. 2010) (per curiam)).

2217. *See id.*

[The plaintiff's] contention that [the defendant] had deceived consumers with its hoisin sauce label because the term "hoisin" translates to seafood when there was no seafood in the sauce is without any support. Indeed, . . . the fact that [the defendant's] product name translates to "seafood sauce" but does not contain seafood does not make the product misleading because many sauces are not named after their ingredients, but are named after the foods they accompany. "Steak sauce," for example, does not contain steak; it is a condiment for steak.²²¹⁸

The appellate court did, however, also affirm the district court's reduction of the initial sanctions award from \$105,037.02 to \$10,000 based on the inability of plaintiff's counsel to pay the first figure.²²¹⁹

In contrast, it was the defendants, a corporation and its principal, that were sanctioned in another case.²²²⁰ The court found that the individual defendant had misled the plaintiff's process server as to his identity and when he would be at his residence and that the plaintiff's subsequent attempt to serve the defendants at their place of business was "met with evasion, subterfuge and aggression."²²²¹ In the interest of justice, the court lifted a default entered after the defendants failed to respond to summonses served on them through the Virginia Secretary of the Commonwealth, but its patience eventually ran out. Faced with the defendants' repeated discovery violations, their advancement of "unusual and unpersuasive arguments" in response to the plaintiff's motion to compel, their use of testimony from a previously undisclosed witness, and the corporate defendant's failure to retain counsel on a timely basis after parting ways with two separate firms,²²²² the court granted the plaintiff's motion for a default judgment. Specifically, it found that the defendants had "consistently participated in this litigation with bad faith,"²²²³ that

2218. *Id.* at 178.

2219. *See id.* at 179.

2220. *See Mya Saray, LLC v. Al-Amir, Inc.*, 831 F. Supp. 2d 922 (E.D. Va. 2011).

2221. The record proved to the court's satisfaction that:

On August 23, 2010, after verifying the address for [the corporate defendant] with Michigan's Department of Energy Labor and Economic Growth, Emily Claphan and Jeffrey Claphan [the plaintiff's process servers] returned to [that address]. At 6:02 P.M., they entered the store and handed the papers to [the individual defendant]. [The individual defendant] told them he "didn't give a shit about the law." He threw the papers back at Emily Claphan, followed the process servers out of the store yelling that he would not accept process and ultimately threw the process into the street.

Id. at 929-30 (citations omitted).

2222. *See id.* at 932-33.

2223. *Id.* at 934.

the plaintiff had been prejudiced in discovery by the defendant's "toxic mix of bad faith and indifference,"²²²⁴ that "[t]he defendants' noncompliance must be deterred because it presents a consistent pattern of indifference and disrespect for the authority of this Court,"²²²⁵ and that "no sanction short of default can accomplish deterrence in this case."²²²⁶

In contrast, another opinion considering a motion for the imposition of sanctions declined to enter that relief.²²²⁷ The motion was filed by a plaintiff seeking to hale two nonresident defendants into court in Oklahoma and was grounded in the allegedly untimely production of contracts bearing on the nationwide broadcast of a television program featuring the disputed marks. The defendants apparently had not concealed the existence of the contracts but instead had resisted producing them until ordered to do so by the court; at that point, they volunteered information about "an additional, but unrelated contract," which they subsequently, although inadvertently, produced to the plaintiff.²²²⁸ The court found that these circumstances did not warrant the striking of the defendants' challenge to an exercise of personal jurisdiction over them, concluding that "[s]uch action should only be taken in response to egregious violations of discovery orders"²²²⁹

H. Evidentiary Matters

The perennial issue of whether anecdotal evidence of actual confusion consists of inadmissible hearsay came to the fore in an appeal to the Eighth Circuit from a bench verdict of infringement.²²³⁰ The evidence in question consisted of a confusion log maintained by the employees of the plaintiff, who, in many cases, had added annotations "often . . . long after the incidents occurred, rather than immediately after."²²³¹ Although holding that "the district court erred in admitting the confusion log, standing alone, into evidence," the court of appeals nevertheless determined that the error had been harmless "because many of the [plaintiff's] employees who made the log entries also offered trial testimony

²²²⁴. *Id.*

²²²⁵. *Id.*

²²²⁶. *Id.*

²²²⁷. *See* Outdoor Channel, Inc. v. Performance One Media, LLC, 826 F. Supp. 2d 1271 (N.D. Okla. 2011).

²²²⁸. *See id.* at 1299.

²²²⁹. *Id.* at 1298.

²²³⁰. *See* First Nat'l Bank in Sioux Falls v. First Nat'l Bank S.D., 679 F.3d 763 (8th Cir. 2012).

²²³¹. *Id.* at 768.

about the incidents of confusion they witnessed. Courts agree that live testimony from an employee regarding specific instances of confused consumer behavior, witnessed first-hand by the testifying employee, is not hearsay.”²²³²

Another evidentiary dispute turned on the extent to which materials submitted by the defendant in support of a motion to dismiss properly were the subject of judicial notice.²²³³ Some of the materials in question consisted of one of the plaintiff’s trademark filings in the European trademark office, printouts from the USPTO, and dictionary definitions.²²³⁴ In weighing the propriety of their consideration, the court held at the outset that:

[A] court may consider facts subject to judicial notice in the context of a motion to dismiss under Rule 12(b)(6). In order for a fact to be subject to judicial notice, Federal Rule of Evidence 201 provides that the “fact must be one not subject to reasonable dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court or (2) capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.” Courts strictly adhere to these criteria because “the effect of taking judicial notice under Rule 201 is to preclude a party from introducing contrary evidence and, in effect, directing a verdict against him as to the fact noticed.”²²³⁵

In an application of these principles, the court concluded that judicial notice was inappropriate because the evidentiary value of both categories of materials in question was disputed. To begin with, it found, “[a]s [the plaintiff] rightly points out, its filing with the European trademark authority occurred in a very different factual and legal context,” which meant that the filing could not be considered the case-dispositive admission against interest the defendant believed it was.²²³⁶ Likewise, the evidentiary value of the USPTO records and dictionary definitions proffered by the

2232. *Id.* at 769.

2233. *See* Facebook, Inc. v. Teachbook.com LLC, 819 F. Supp. 2d 764 (N.D. Ill. 2011).

2234. The European filings had been made by the plaintiff in support of an application to register the same mark the plaintiff sought to protect in the case at hand; the defendant asserted that the plaintiff’s representations in them constituted admissions against interest that disposed of its likelihood-of-confusion claims in the United States. *See id.* at 771. The defendant’s purpose in trying to place the remaining materials into evidence at the pleadings stage was to demonstrate the alleged genericness of the plaintiff’s mark. *See id.* at 772-73.

2235. *Id.* at 771 (quoting Fed. R. Evid. 201; Gen. Elec. Capital Corp. v. Lease Resolution Corp., 128 F.3d 1074, 1083 (7th Cir.1997) (citation omitted)).

2236. *Id.* at 772.

defendant was also disputed because those materials related only to a portion of the mark in which the plaintiff claimed rights.²²³⁷

The court moved on to address three additional exhibits consisting of printouts from the plaintiff's website, which the defendant argued were fair game because they were "specifically referenced in the Complaint and crucial to [the plaintiff's] claims."²²³⁸ The court acknowledged that it was free to consider "documents attached to a defendant's motion to dismiss, where those documents 'are referred to in the plaintiff's complaint and are central to [the plaintiff's] claim.'"²²³⁹ Nevertheless, "[the defendant's] website printouts are not the type of documents that may properly be considered as central to [the plaintiff's] claim."²²⁴⁰ In particular, it concluded:

While the nature of [the plaintiff's] website and business is likely to play a role in this case, [the defendant] has not demonstrated that this particular portion of [the plaintiff's] website is central to [the plaintiff's] claim. Indeed, allowing [the defendant] to cherry pick portions of [the plaintiff's] website to introduce via a motion to dismiss simply because the complaint implicates the two websites would convert an examination of the complaint in to [sic] [a] full-blown summary judgment analysis. This result would vitiate an otherwise narrow exception to the general rule that a motion under Rule 12(b)(6) stands or falls based on the allegations in the complaint.

. . . While these exhibits may have some evidentiary value, they are not the type of crucial documents, such as a contract in a breach of contract claim, that can be introduced as part of the pleadings at the motion to dismiss stage.²²⁴¹

Accordingly, the court held, "the only alleged facts we will consider are those appearing in [the plaintiff's] complaint and accompanying exhibits."²²⁴²

I. Discovery-Related Matters

There were few reported opinions in trademark and unfair competition matters that addressed substantive discovery-related issues. One of the exceptions was triggered by a plaintiff's request

2237. *See id.* at 772-73.

2238. *Quoted in id.* at 773.

2239. *Id.* (quoting *Venture Assocs. Corp. v. Zenith Data Sys. Corp.*, 987 F.2d 429, 431 (7th Cir. 1993)).

2240. *Id.*

2241. *Id.*

2242. *Id.*

for leave to pursue an order compelling the defendants to produce information on sales outside of the United States of goods bearing the defendants' allegedly infringing marks.²²⁴³ There were several reasons why the request was unsuccessful, one of which was that it was made long after the discovery period had closed and even longer after the defendants had made clear their objections to disclosing the documents in question.²²⁴⁴ Another was the court's skepticism that additional discovery would demonstrate that the Lanham Act applied to the defendants' extraterritorial activities: Although the plaintiff's request was governed by the "discoverability standard articulated in the Federal Rules," the plaintiff's apparent inability to prove that the defendants' allegedly infringing conduct abroad "harmed [the plaintiff's] reputation and marks, caused confusion, or diverted sales" left no need for further discovery on the issue.²²⁴⁵

Another motion to compel the production of records maintained outside the United States also fell short.²²⁴⁶ Having failed to secure the cooperation in discovery of a group of defendants accused of having trafficked in the sale of goods bearing counterfeit imitations of its marks, the plaintiffs sought to enforce compliance with third-party subpoenas they had served on the New York City branches of two banks based in China. The resulting opinion began (and continued for some time) in promising fashion for the plaintiffs' purposes. Specifically, the court found, *inter alia*, that the requested documents, despite being located outside the United States, were within the "possession, custody, and control" of the subpoena recipients,²²⁴⁷ that "[b]ecause the Banks' records could potentially reveal the identities of those involved in the counterfeiting operation, they are important to [the] plaintiffs' claims,"²²⁴⁸ and that the requests were not overbroad.²²⁴⁹ It was downhill for the plaintiffs from that point forward, however, as the court also determined that the overseas location of the requested records weighed in the banks' favor,²²⁵⁰ that it would not be futile for the plaintiffs to pursue the records through alternative means, namely, the Hague Convention,²²⁵¹ that the Chinese government had an interest in

2243. *See Gucci Am., Inc. v. Guess?, Inc.*, 790 F. Supp. 2d 136 (S.D.N.Y. 2011).

2244. *See id.* at 140-42.

2245. *Id.* at 146.

2246. *See Tiffany (NJ) LLC v. QI Andrew*, 276 F.R.D. 143 (S.D.N.Y. 2011).

2247. *See id.* at 147-50.

2248. *Id.* at 151.

2249. *See id.* at 151.

2250. *See id.* at 152.

2251. *See id.* at 152-56.

enforcing its secrecy laws,²²⁵² that the disclosure of the records might result in adverse consequences for the banks under those laws,²²⁵³ and that the banks had acted in good faith.²²⁵⁴ The result of this latter set of findings, the court held, was that comity required the plaintiffs to pursue the documents in question through the Hague Convention with an opportunity to renew their motion to enforce in the United States if it became necessary to do so.²²⁵⁵

In contrast, a battle over whether the defendant's dietary supplements were, as advertised, "naturally derived from green tea" led to an order compelling the production of documents relating to the formula and production of that tea.²²⁵⁶ The plaintiff's motion to compel was not grounded merely in the defendant's refusal to produce the documents in question; rather, it also relied on expert testimony questioning the veracity of the defendant's promotional claims, as well as an admission by one of the defendant's principals that a portion of the defendant's product was derived from substances other than green tea that had gone through microbial fermentation.²²⁵⁷ Under these circumstances, the court was predictably unmoved by the defendant's argument that the information sought by the plaintiff's discovery requests was a confidential trade secret. Rather, "[a]s the case relates to the origins of the [defendant's] product, [the plaintiff] must be afforded access to the requested information so that it can verify or debunk [the defendant's] characterization of its [product] as 'naturally derived from green tea.'"²²⁵⁸ Simply put, the court held, "[t]his is not a case where a competitor seeks access to the trade secrets of one of its rivals without a threshold showing to justify the disclosure,"²²⁵⁹ and, in any case, information the defendant considered to be trade secrets could be designated as "Confidential Attorneys' Eyes Only" under a protective order entered earlier in the litigation.²²⁶⁰

2252. *See id.* at 157-58

2253. *See id.* at 158-59.

2254. *See id.* at 160.

2255. *See id.* at 160-61.

2256. *Quoted in* Taiyo Int'l, Inc. v. Phyto Tech Corp., 275 F.R.D. 497, 499 (D. Minn. 2011).

2257. *See id.* at 499.

2258. *Id.* at 501.

2259. *Id.*

2260. *See id.* at 501-02.

J. Trademark-Related Contracts

1. Interpretation and Enforcement of Settlement Agreements

Despite having generated numerous reported opinions concerning them in recent memory, actions to enforce would-be settlement agreements took a back seat in litigation over the past year. Nevertheless, one court had the opportunity to set forth the following doctrinal framework governing enforcement actions in an opinion ultimately affirmed by the Sixth Circuit:

Settlement agreements are a type of contract and are therefore governed by contract law. Therefore, whether a settlement agreement is a valid contract between the parties is determined by reference to state substantive law governing contracts generally. Before a contract can be completed, there must be an offer, acceptance, consideration and a meeting of the minds on all essential terms.²²⁶¹

The occasion for this restatement was a course of conduct that included the defendant's transmittal of a draft settlement agreement under cover of an e-mail message reciting that "[a]ttached is a redline version of our proposed revisions to the settlement agreement between [the parties]."²²⁶² Three days later, counsel for the plaintiff responded that "[w]e've reviewed your proposed revisions. Because we'd like to get this wrapped up, we will agree to all of your proposed changes. Please incorporate them into a final version for execution."²²⁶³ Although the defendant did just that, it subsequently backed out of the deal and asserted that no settlement agreement existed because it had not signed the final papers, which included a provision that the agreement would be effective as of the parties' execution of it. The court was not at all receptive to this argument, and it entered summary judgment in the plaintiff's favor, holding that:

[The defendant] has provided the court with no authority for its argument that the settlement agreement is unenforceable because [the defendant] failed to sign the agreement. . . . The "effective as of the date the parties sign the agreement" was not a material term of the agreement, and in any event, the parties have an enforceable oral settlement

2261. Remark LLC v. Adell Broad., 817 F. Supp. 2d 990, 1001 (E.D. Mich. 2011) (citations omitted) (internal quotation marks omitted), *aff'd*, 702 F.3d 280 (6th Cir. 2012).

2262. *Quoted in id.* at 1003.

2263. *Quoted in id.*

agreement because there is no requirement that a settlement agreement be reduced to a writing to be enforceable.²²⁶⁴

2. Interpretation of Trademark Assignments

Any valid contract must reflect consideration flowing to and from each of the parties to it, and one defendant responded to a claim of rights by attacking the assignment that had led to the plaintiff becoming the record owner of the marks in question.²²⁶⁵ The document memorializing that assignment apparently recited only that the parties had exchanged good and valuable consideration, and the defendant contended in response to the plaintiff's motion for summary judgment that the plaintiff had failed to adduce any evidence that the referenced consideration actually had changed hands. In holding as a matter of law that the plaintiff was indeed the owner of the marks in question, the court credited the plaintiff's argument that the assignor had received a benefit from the transaction because it had been released from the obligation to police and object to infringing uses of the marks.²²⁶⁶

An equally unusual dispute over a trademark assignment originated in the departure of the lead defendant, an executive chef, from the employ of the plaintiff, a restaurateur.²²⁶⁷ On the lead defendant's way out the door, the plaintiff was contractually obligated to assign to him the rights to certain registered marks, which the plaintiff did. When, as part of a later venture, the defendants adopted a menu to which the plaintiff objected, the defendants advanced the theory that the earlier assignment necessarily swept in an assignment of any trade dress rights in the menu the plaintiff may have developed in the course of the parties' earlier relationship. As this theory was described by the court, "[d]efendants seem to argue that because the assignment included good will—an addition necessitated to ensure that the assignment was not an invalid transfer of a bare trademark, unconnected to a business—it deprived plaintiff of the ability to claim any trade-dress protection in its continuing . . . business."²²⁶⁸

2264. *Id.* at 1004.

2265. *See* Hokto Kinoko Co. v. Concord Farms, Inc., 810 F. Supp. 2d 1013 (C.D. Cal. 2011).

2266. *See id.* at 1023.

2267. *See* BLT Rest. Grp. v. Tourondel, 855 F. Supp. 2d 4 (S.D.N.Y. 2012).

2268. *Id.* at 29.

The court summarized the significance of the requirement that goodwill accompany the assignment of a mark with the following observation:

The traditional common-law rule prohibited assignment of a trademark "in gross", that is, shorn of any aspect of the business that it had previously identified. That policy, which is intended to avoid consumer confusion, is reflected as well in the Lanham Act. An impermissible assignment in gross is avoided if the assignor conveys the assets of the business to the assignee together with the trademarks, provided that

The court wasn't buying. Its holding that the defendants were not entitled to summary judgment acknowledged that "[i]t is of course possible, if plaintiff assigned all good will in its business to [the lead defendant], that it may be stripped of any intellectual-property rights in that business (although defendants cite no legal authority for that proposition)."²²⁶⁹ Nevertheless, "the scope of the good will transferred is ambiguous in the contract and may be read as limited to the good will associated with the name[s] and not other elements of the business."²²⁷⁰ Under that circumstance, the court held, "we reject, at least on the current record, defendants' contention that the assignment of the trademarks and attendant good will deprives plaintiff of the ability to assert trade-dress protection in the menus."²²⁷¹

3. Interpretation of Trademark Licenses

In a question of first impression under its case law, the Seventh Circuit had the opportunity to address the issue of whether a trademark license could be assigned without the consent of the licensor.²²⁷² The court answered this question in the negative, holding that "as far as we've been able to determine, the universal rule is that trademark licenses are not assignable in the absence of a clause expressly authorizing assignment."²²⁷³ Having thus identified the relevant rule, the court was disinclined to disturb it:

Often the owner of a trademark will find that the most efficient way to exploit it is to license the production of the trademarked good to another company, which may have lower costs of production or other advantages over the trademark's owner. Normally the owner who does this will not want the licensee to be allowed to assign the license (that is, sublicense the trademark) without the owner's consent, because while the owner will have picked his licensee because of confidence that he will not degrade the quality of the trademarked product he can have no similar assurance with respect to some unknown future sublicensee.

the assignee is going to use them in a business that will provide essentially the same type of products or services as the assignee had done in the past. An assignment of a trademark may also satisfy the common-law requirement if the assignor transfers the good will of the business in lieu of its assets.

Id. at 30 (citations omitted).

^{2269.} *Id.* at 31.

^{2270.} *Id.*

^{2271.} *Id.* at 32.

^{2272.} See *In re XMH Corp.*, 647 F.3d 690 (7th Cir. 2011).

^{2273.} *Id.* at 695.

Because this is the normal reaction of a trademark owner, it makes sense to make the rule that a trademark license is not assignable without the owner's express permission a rule of contract law—what is called a “default” rule because it is the rule if the parties do not provide otherwise (as they are allowed to do). Default rules economize on the costs of contracts by saving the parties the bother of negotiating a provision that most of them want—the members of the minority that does not want such a provision are free to contract around it but the majority is saved that bother and expense. . . . The rule that trademark licenses are not assignable in the absence of a provision authorizing assignment is a . . . sensible default rule.²²⁷⁴

Ultimately, however, these principles were irrelevant to the assignability of the particular contract at issue, which the court concluded was a service agreement, rather than a license.²²⁷⁵

A pair of cases in which licenses between the parties *did* exist led to applications of the licensee estoppel doctrine to preclude the licensees from challenging the validity of the licensed marks, as well as the licensors' ownership of them. In the first case, the plaintiff and the lead defendant previously had been adverse to each other in litigation over the mark in question but had entered into a settlement agreement pursuant to which the lead defendant accepted a cash payment, committed not to challenge the plaintiff's ownership and registration of the mark, and took a royalty-free license to use the mark.²²⁷⁶ When the parties came to blows again several years later, the defendants argued that the plaintiff's mark was generic but to no avail. Instead, the court entered summary judgment in the plaintiff's favor, holding that:

With regard to the settlement and license agreements at issue here, it is not at all difficult to assess the parties' intent: [The plaintiff] was allowed to pursue the registration of the mark and [the lead defendant] received some cash and a limited license to use the mark in exchange for its agreement to bow out of the trademark registration race and never again challenge [the plaintiff's] mark, should it be registered.²²⁷⁷

In the process, the court took aim at the defendants' argument that policy considerations should excuse them from the lead defendant's prior commitments:

²²⁷⁴. *Id.* at 696 (citations omitted).

²²⁷⁵. *See id.* at 697-98.

²²⁷⁶. *See* Norwood Promotional Prods., LLC v. KustomKoozies, LLC, 835 F. Supp. 2d 685 (S.D. Ind. 2011).

²²⁷⁷. *Id.* at 692.

Even if this Court chooses to balance the public policy concerns or weigh the equities of the specific circumstance rather than strictly apply licensee estoppel, [the lead defendant] comes out a loser. There can be no question that time-honored public policy, as well as principles of judicial efficacy favor and promote agreed resolutions between parties to litigation. In this instance, [the lead defendant] chose to accept both cash and a conditional royalty-free license in order to resolve its earlier litigation with [the plaintiff]. It could have chosen to continue the litigation, to negotiate an agreement which would have left it as the licensor and [the plaintiff] the licensee, or to reserve its right to challenge the mark, but it did not. The equities are not in [the lead defendant's] favor, and it should not be allowed to avoid the promises it made when it entered into the settlement and license agreements and accepted [the plaintiff's] money.²²⁷⁸

The licensee estoppel doctrine also came into play in a dispute between various corporations controlled by Larry Flynt, the publisher of *Hustler* magazine, and his brother Jimmy.²²⁷⁹ Jimmy Flynt's businesses operated retail stores under the HUSTLER NEWS & GIFTS, INC., HUSTLER CINCINNATI, and HUSTLER HOLLYWOOD marks, and the record suggested they initially did so without objection from Larry Flynt's businesses, one of which owned a number of registrations of the HUSTLER mark. Eventually, however, the parties negotiated a written license agreement, and, although that document apparently was never signed, it led to the payment of royalty fees by Jimmy Flynt's businesses to Larry Flynt's businesses. On these facts, the court had no difficulty concluding that a license existed between the parties:

Larry and Jimmy indisputably entered into an implied licensing arrangement by their conduct. Jimmy may have initially used the "Hustler" mark . . . with Larry's implicit permission and for free. But, whatever their original arrangement, it changed by mutual consent and without protest when Jimmy acquiesced with Larry's wishes, and restructured the relationship between [the parties]. Thereafter, [Jimmy's businesses] paid licensing fees for years to [a business controlled by Larry Flynt], uninterrupted and without protest, until family dynamics soured their relationship and Jimmy refused to pay.²²⁸⁰

2278. *Id.* at 693-94 (citation omitted).

2279. *See* L.F.P. IP Inc. v. Hustler Cincinnati Inc., 103 U.S.P.Q.2d 1393 (S.D. Ohio 2011).

2280. *Id.* at 1398.

The significance of the license was two-fold: First, under the licensee estoppel doctrine, “[t]he licensing arrangement that Jimmy entered into operates as an acknowledgement that Larry owns a valid ‘Hustler’ mark and, by extension, that Jimmy does not.”²²⁸¹ Second, under the merger doctrine, “[h]aving licensed the mark from Larry after beginning any . . . prior use [of it], Jimmy effectively extinguished any claim he may have had to use the Hustler trademark . . . or to challenge Larry’s conduct in connection with the mark.”²²⁸²

The Eleventh Circuit entertained an appeal in which the existence of expired licenses between the parties was not disputed, but the scope of the licenses was.²²⁸³ The plaintiff was the University of Alabama, and it had for a number of years licensed an artist to use various indicia associated with the University, including two colors identified by their Pantone numbers, namely, “Crimson PMS 201” and “Gray PMS 429.” Before entering into the licenses and after their expiration, the artist painted scenes from the history of the Alabama football program that depicted the colors in question on players’ uniforms. When the parties were unable to agree on whether the artist was obligated to pay royalties, the University filed suit, arguing that the licenses reached the use of the colors in this manner.

The Eleventh Circuit disagreed, holding that the key license’s treatment was ambiguous. Specifically, “[w]hile the definition of ‘licensed indicia’ is broad, there is also language indicating that it would not include the portrayal of uniforms in the *content* of a painting, print, or calendar.”²²⁸⁴ The court then sought to reconcile the ambiguity it had identified by turning to extrinsic evidence in the form of the parties’ conduct. Referring to the artist’s production without objection of paintings and prints that “ubiquitously featured the University’s uniforms,” it noted that “[d]espite the public notoriety of [the artist’s] work, the University never requested (until this litigation) that he pay royalties on these unlicensed items”;²²⁸⁵ indeed, there was record evidence that the University itself had purchased and resold at least some of the goods in question.²²⁸⁶ Under these circumstances, “[t]he parties’ course of conduct clearly indicates that they did not intend that [the artist] would need permission every time he sought to portray

2281. *Id.* at 1399.

2282. *Id.* at 1400.

2283. *See* Univ. of Ala. Bd. of Trustees v. New Life Art, Inc., 683 F.3d 1266 (11th Cir. 2012).

2284. *Id.* at 1274.

2285. *Id.*

2286. *See id.* at 1274-75.

the University's uniforms in the content of his paintings, prints, and calendars."²²⁸⁷

4. Interpretation of Real Estate Leases

Of all the trademark-related disputes to arise from a written contract between the parties, the most unusual by far was the subject of an appeal before the Fifth Circuit.²²⁸⁸ The predecessor in interest to the plaintiff in the action had leased space in a mall to the defendant, which operated a retail shoe store there under the mark THE SHOE DEPT. The lease expressly prohibited the defendant from operating another business under the same name or "any substantially similar trade-name within two miles of the leased space, and the plaintiff argued that this prohibition was violated by the defendant's subsequent use of the SHOE SHOW mark within that radius. Eschewing any reliance on the likelihood-of-confusion test for liability, the court affirmed the district court's finding as a matter of law that the two marks were not substantially similar. As it explained, "(1) 'shoe' is a generic or descriptive term and is common to the overwhelming majority of establishments that have anything at all to do with footwear, and (2) the non-generic terms SHOW and DEPT. have virtually nothing in common"²²⁸⁹

K. Trademark-Related Bankruptcy Issues

Trademark-related bankruptcy issues rarely attract widespread attention, but the Seventh Circuit's opinion in *Sunbeam Products, Inc. v. Chicago American Mfg., LLC*²²⁹⁰ proved to be the exception to this rule. The case arose from a patent and trademark license pursuant to which the licensee enjoyed the right to sell the entire 2009 run of goods produced under the license if the licensor did not purchase the goods for distribution to the licensor's customers. This arrangement was the result of the licensee's concern about the licensor's financial condition, and that concern proved to be well-founded when the licensor was forced into an involuntary bankruptcy proceeding three months into the contract. The court-appointed bankruptcy trustee rejected the executory portion of the license under Section 365(a) of the Bankruptcy Code,²²⁹¹ but the bankruptcy court held as contractual

2287. *Id.* at 1275.

2288. *See* *Almeda Mall, L.P. v. Shoe Show, Inc.*, 649 F.3d 389 (5th Cir. 2011).

2289. *Id.* at 396.

2290. 686 F.3d 372 (7th Cir. 2012).

2291. 11 U.S.C. § 365(a) (2012).

matter that the license authorized the continued production and sale of the licensed goods.²²⁹²

The Seventh Circuit confirmed the bankruptcy court's interpretation of the license and additionally held that the trustee's rejection of the license under the Bankruptcy Code did not trump the license's terms. The focus of the appellate court's analysis was Section 365(n) of the Bankruptcy Code,²²⁹³ which Congress passed in reaction to the Fourth Circuit's 1985 decision in *Lubrizol Enters. v. Richmond Metal Finishers, Inc.*,²²⁹⁴ that the rejection of an intellectual property license under Section 365(a) terminated the licensee's ability to use the licensed intellectual property. Although it was undisputed that Section 365(n) overturned *Lubrizol* where licensed intellectual property was concerned, Section 101(35A) of the Bankruptcy Code defined "intellectual property" as sweeping in patents, copyrights, and trade secrets, but not trademarks.²²⁹⁵ That omission, the court held, precluded Section 365(n) from having any applicability to the issue of whether the licensee enjoyed the ability to use the licensor's marks on a going-forward basis.²²⁹⁶

Nevertheless, even if Section 365(n) did not provide the licensee with that ability, Section 365(g) of the Bankruptcy Code did.²²⁹⁷ As the Seventh Circuit explained:

[The licensee] . . . bargained for the security of being able to sell [goods bearing the licensor's mark] for its account if [the licensor] defaulted; outside of bankruptcy, [the licensor] could not have ended [the licensee's] right to sell the [goods] by failing to perform its own duties, any more than a borrower could end the lender's right to collect just by declaring that the debt will not be paid.

What § 365(g) does by classifying rejection as breach [of contract] is establish that in bankruptcy, as outside of it, the other party's rights remain in place. After rejecting a contract, a debtor is not subject to an order of specific performance. The debtor's unfulfilled obligations are converted to damages; when a debtor does not assume the contract before rejecting it, these damages are treated as a pre-petition obligation, which may be written down in common with other debts of the same

2292. See *In re Lakewood Eng'g & Mfg. Co.*, 459 B.R. 306, 333-38 (Bankr. N.D. Ill. 2011), *aff'd sub nom. Sunbeam Prods., Inc. v. Chicago Am. Mfg., LLC*, 686 F.3d 372 (7th Cir. 2012), *cert. denied*, No. 12-431, 2012 WL 4812510 (U.S. 2012).

2293. 11 U.S.C. § 365(n).

2294. 756 F.2d 1043 (4th Cir. 1985).

2295. See 11 U.S.C. § 101(35A).

2296. See *Sunbeam*, 686 F.3d at 375.

2297. See 11 U.S.C. § 365(g).

class. But nothing about this process implies that any rights of the other contracting party have been vaporized.²²⁹⁸

The court therefore permitted the licensee to continue to use the licensed mark despite the court's awareness that its holding was in direct conflict with *Lubrizol*.²²⁹⁹ Of perhaps equal significance, that continued use was presumably not subject to the restrictions under Section 365(n) to which the licensee otherwise would have been subject had trademarks been included in Section 101(35A)'s definition of "intellectual property." Thus, although Section 365(n) was intended to protect intellectual property licensees after *Lubrizol*, the exclusion of trademark licensees from the statute's protection ironically may have resulted in those licensees having greater protection than their patent-, copyright-, and trade secret-licensee counterparts.

L. The Relationship Between the Lanham Act and the Federal Food, Drug, and Cosmetic Act

False advertising lawsuits in the food and beverage industries have increasingly required courts to address the relationship between the Lanham Act, on the one hand, and the administration by the Food and Drug Administration (FDA) of the Federal Food, Drug, and Cosmetic Act (FDCA), on the other. The alleged false advertising in one such case was defendant's promotion of a "Pomegranate Blueberry Flavored Blend Of 5 Juices," of which only three-tenths of one percent consisted of pomegranate juice and only one two-tenths of one percent consisted of blueberry juice.²³⁰⁰ The district court granted the defendant's motion for summary judgment, and the Ninth Circuit affirmed.

The court of appeals summarized the doctrinal rules in the area in the following manner:

[C]ourts have agreed that the FDCA limits claims under the Lanham Act. A plaintiff may not, for example, sue under the Lanham Act to enforce the FDCA or its regulations because allowing such a suit would undermine Congress's decision to limit enforcement of the FDCA to the federal government. Nor may a plaintiff maintain a Lanham Act claim that would require a court originally to interpret ambiguous FDA regulations, because rendering such an interpretation would usurp the FDA's interpretive authority.

Where the FDA has not concluded that particular conduct violates the FDCA, . . . a Lanham Act claim may not be

2298. *Sunbeam*, 686 F.3d at 377 (citations omitted).

2299. *See id.* at 378 ("*Lubrizol* does not persuade us.").

2300. *See Pom Wonderful LLC v. Coca-Cola Co.*, 679 F.3d 1170 (9th Cir. 2012).

pursued if the claim would require litigating whether that conduct violates the FDCA.²³⁰¹

The court concluded that the plaintiff's Lanham Act claims fell afoul of these principles. Noting that "FDA regulations authorize the name [the defendant] has chosen,"²³⁰² it held that "[the plaintiff's] challenge to the name 'Pomegranate Blueberry Flavored Blend of 5 Juices' would create a conflict with FDA regulations and would require us to undermine the FDA's apparent determination that so naming the product is not misleading."²³⁰³ The same result transpired with respect to the plaintiff's claims that the words "pomegranate" and "blueberry" were inappropriately emphasized on the defendant's label:

Congress and the FDA have . . . considered and spoken to what content a label must bear, and the relative sizes in which the label must bear it, so as not to deceive. Despite speaking extensively to how prominently required words or statements must appear, the FDA has not (so far as we can tell) required that all words in a juice blend's name appear on the label in the same size or that words hew to some other standard that [the plaintiff] might have us impose. If the FDA thought such a regulation were necessary "to render [that information] likely to be read and understood by the ordinary individual," it could have said so. If the FDA believes that more should be done to prevent deception, or that [the defendant's] label misleads consumers, it can act. But, . . . for a court to act when the FDA has not—despite regulating extensively in this area—would risk undercutting the FDA's expert judgments and authority.²³⁰⁴

M. Insurance Coverage

1. Cases Ordering Coverage

Although insurance carriers often write their policies in restrictive terms, the law governing those policies can level the playing field for insureds. Such was the case in a coverage dispute governed by California law in which the complaint in the underlying complaint targeted the insured's allegedly false representations to a third party that the insured was the owner of a particular trademark.²³⁰⁵ There was no question that the

2301. *Id.* at 1175-76.

2302. *Id.* at 1176.

2303. *Id.* at 1177.

2304. *Id.* (second alteration in original) (quoting 21 U.S.C. § 343(f) (2006)).

2305. *See* *Burgett, Inc. v. Am. Zurich Ins. Co.*, 830 F. Supp. 2d 953, 963 (E.D. Cal. 2011) ("In the underlying complaint, . . . [the plaintiff] alleges that [the insured] made false

insured's policy contained an exclusion for the defense of allegations of trademark infringement, but it did provide for coverage in cases presenting claims of disparagement. Because the complaint in the underlying action averred both that the insured claimed to be the "only" owner of the mark in question and that the insured "was fully aware that [the plaintiff] was using the . . . trademark in commerce,"²³⁰⁶ the court concluded that "these allegations, taken as a whole, create potential liability and thus, potential coverage for disparagement of [the plaintiff's] product—the alleged ownership of the . . . trademark."²³⁰⁷ Although there was no express claim for disparagement set forth in the complaint against the insured, the plaintiff's allegations "could potentially establish a claim for disparagement by *implication*,"²³⁰⁸ and coverage therefore was appropriate under the California-law principle that "[t]he duty to defend extends to all suits that raise the 'possibility' or 'potential' for coverage."²³⁰⁹

A protective attitude toward policyholders also carried the day in an application of New York law.²³¹⁰ Having been accused of infringing an alleged trade dress consisting of a product design in two lawsuits by the same plaintiff, two insureds sought coverage under an advertising injury clause defining that tort as "injury, arising out of . . . [i]nfringement of copyright, title or slogan, provided that [a] claim is made or suit is brought by a person or organization claiming ownership of such copyright, title or slogan."²³¹¹ The parties filed cross motions for summary judgment on the issue of whether the alleged trade dress in the underlying action constituted a title within the meaning of the clause, but only the plaintiffs' motion was successful. Although, as the court noted, the evolution of the definition of "title" in *Black's Law Dictionary* favored the carrier's position,²³¹² "the removal of that particular

representations that harmed [the plaintiff] 'by implying to the marketplace that [the insured] had the superior right to use the . . . trademark,' and thus, by implication, represented that [the plaintiff] did not have the rights to the . . . trademark.").

2306. *Quoted in id.*

2307. *Id.*

2308. *Id.* at 962.

2309. *Id.* at 959 (internal quotation marks omitted).

2310. *See* *Bridge Metal Indus. v. Travelers Indemnity Co.*, 812 F. Supp. 2d 527 (S.D.N.Y. 2011).

2311. *Quoted in id.* at 532.

2312. *See id.* at 536-37. At least some prior opinions applying New York law to hold that a claimed trade dress could constitute a title within the meaning of an advertising injury clause had relied on the circa-1990 edition of *Black's Law Dictionary*. *See, e.g.*, *CGS Indus. v. Charter Oak Fire Ins. Co.*, 751 F. Supp. 2d 444, 450 (E.D.N.Y. 2010) (citing *Black's Law Dictionary* 1485 (6th ed. 1990)). By the time the eighth edition of that reference was published during the term of the policy in question, however, all definitions of title had been

definition of title does not relieve [the carrier] of its duty to defend.”²³¹³ Rather, “if there is legal uncertainty regarding whether cases governing an insurance policy will be read to impose coverage in a given situation, the insurer has a duty to defend.”²³¹⁴ Because, as the court determined, “there is . . . case law that raises the possibility that claims of trade dress infringement, such as those asserted by [the plaintiff in the underlying action], fall within ‘infringement of title,’”²³¹⁵ and because “[the plaintiff’s] complaints contain allegations of injuries directly caused by the marketing and portrayal of [the insureds’] goods to the public based on the infringing trade dress,”²³¹⁶ coverage was appropriate.²³¹⁷

The court then turned to the carrier’s argument that the allegations of willful infringement in the underlying action triggered a knowing-violation-of-rights exclusion.²³¹⁸ Reviewing the requirements for liability under the causes of action at issue in the underlying action, the court agreed with the insureds that:

[D]espite the allegations of intentional conduct by [the insureds], [the plaintiffs’] complaints asserted covered causes of actions for which [the insureds] could have been found liable without any intentional conduct. The allegations in the complaint do not foreclose the possibility that [the insureds] could have been liable to [the plaintiff] without the court finding that [the insureds] knew that their conduct would violate [the plaintiff’s] rights and inflict the advertising injury at issue. Thus, [the carrier] has failed to demonstrate that the allegations of the complaint can be interpreted only to exclude coverage and it had a duty to defend [the insureds] in the underlying lawsuits.²³¹⁹

A similar result held in a declaratory judgment action brought by a carrier seeking to avoid coverage for “Advertising and Personal Injury Liability” based on a knowledge-of-falsity

revised so that, in the court’s view, none encompassed the concept of trade dress. *See Bridge Metal Indus.*, 812 F. Supp. 2d at 537 (citing Black’s Law Dictionary 1522-24 (8th ed. 2004)).

2313. *Id.*

2314. *Id.*

2315. *Id.*

2316. *Id.* at 542.

2317. *See id.*

2318. The court also addressed and disposed of the carrier’s argument that, because of a prior relationship between one of the insureds and the plaintiff in the underlying action, a breach-of-contract exclusion precluded coverage. *See id.* at 543-44.

2319. *Id.* at 545 (internal quotation marks omitted).

exclusion.²³²⁰ The complaint in the underlying action alleged that the insured had acted with full knowledge of the falsity of its advertising, and, indeed, the plaintiff in that action repeated the allegation in responses to two interrogatories concerning its causes of action. These considerations were enough for the district court to enter summary judgment in the carrier's favor, but they failed to pass muster as far as the Eighth Circuit was concerned. In an application of Minnesota law, the appellate court held that:

[I]t is apparent that an insurer seeking to avoid having to defend an insured carries the burden of demonstrating that *all parts* of the cause of action against the insured *fall clearly outside the scope of coverage*. If any part is arguably within the scope of coverage, the insurer should defend, reserving its right to contest coverage based on facts developed at trial on the merits.²³²¹

Because “[t]o prevail on an unfair-competition claim under the Lanham Act, a plaintiff need not prove that a defendant knew that its advertisements were false,”²³²² and because the plaintiff in the underlying action “likely alleged that [the insured] *willfully* used false advertising only to support its request . . . for enhanced damages,”²³²³ the district court's entry of summary judgment in the carrier's favor had been improper.²³²⁴

2. Cases Declining to Order Coverage

Notwithstanding the generally solicitous attitude toward policyholders taken by the law of many states, the First Circuit served up a reminder that the express text of an exclusion will

2320. *See* AMCO Ins. Co. v. Inspired Techs., Inc., 648 F.3d 875 (8th Cir. 2011). The exclusion in question provided that:

This insurance, including any duty we have to defend “suits”, does not apply to:

- a. “Personal and advertising injury”:
 - 1) 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 and advertising injury”; [and]
 - 2) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity.

Quoted in id. at 877.

2321. *Id.* at 881 (quoting *Farmers & Merchs. State Bank of Pierz v. St. Paul Fire & Marine Ins. Co.*, 242 N.W.2d 840, 843 (Minn. 1997) (emphasis added) (citation omitted) (internal quotation marks omitted)).

2322. *Id.* at 882.

2323. *Id.*

2324. *See id.* at 882-83.

control if it is unambiguous.²³²⁵ The policy language in question was styled as an “Antitrust Exclusion,” but, underneath that heading, it provided that the carrier would not be liable for any loss arising out of a claim for, inter alia, “unfair competition, deceptive trade practices and/or monopolies.”²³²⁶ The court identified several reasons why the policy did not require the carrier to indemnify its insured against accusations of deceptive trade practices, false and misleading advertising, and deceptive labeling. For one thing, although the exclusion bore an antitrust-related heading, “the plain language of the other excluded claims—particularly ‘unfair competition’ and ‘deceptive trade practices’—is far broader and not so limited.”²³²⁷ For another, “[t]he policy itself . . . states ‘[t]he descriptions in the headings of this policy are solely for convenience and form no part of the terms and conditions of coverage,’ thus precluding the weight [the insured] wishes to assign the heading.”²³²⁸ Finally, “the terms [of the exclusion] are in the disjunctive, e.g., unfair competition *or* deceptive trade practices, and the word *or* must be given effect.”²³²⁹

It was the relationship between the torts of trademark infringement, on the one hand, and unfair competition, deceptive trade practices, tortious interference, and unjust enrichment, on the other, that came into play in the determination of whether a different exclusion from coverage applied.²³³⁰ The exclusion in question, which was governed by Illinois law, applied to “[p]ersonal and advertising injury . . . [a]rising out [of] the infringement of copyright, patent, trademark, trade secret, or other intellectual property rights”;²³³¹ the exclusion itself was subject to an exception, however, which provided that “[t]his exclusion does not apply to infringement, in your ‘advertisement’, of copyright, trade dress, or slogan.”²³³² The parties agreed that the counterclaim plaintiff’s causes of action in the underlying action for trademark infringement and for fraudulent procurement fell within the scope of the exception, but they differed on the issue of whether the counterclaim plaintiff’s other allegations, namely, that the insured had engaged in unfair competition, deceptive trade practices,

2325. See *Welch Foods, Inc. v. Nat’l Union Fire Ins. Co. of Pittsburgh, PA*, 659 F.3d 191 (1st Cir. 2011) (per curiam).

2326. Quoted in *id.* at 193.

2327. *Id.*

2328. *Id.* (second alteration in original).

2329. *Id.* at 194.

2330. See *Citizens Ins. Co. of Am. v. Uncommon, LLC*, 812 F. Supp. 2d 905 (N.D. Ill. 2011).

2331. Quoted in *id.* at 908.

2332. Quoted in *id.* at 909.

tortious interference with business practices, and unjust enrichment also did so.²³³³

The court sided with the carrier, so much so that it granted the carrier's motion for judgment on the pleadings. The court first addressed the issue of "whether the IP exclusion can be avoided by the mere fact that unfair competition, deceptive trade practices, tortious interference, and unjust enrichment claims, as a general matter, can and usually do arise from conduct having nothing to do with trademark infringement," concluding that the answer was "no."²³³⁴ It then explained that "the IP exclusion applies if the underlying claim, regardless of the legal theory under which it is styled, could not proceed independently of an allegation of trademark infringement."²³³⁵ Because the counterclaim plaintiff's other causes of action were, in fact, dependent on the counterclaim plaintiff's primary claim for trademark infringement, they could not properly be considered standalone theories of relief outside the scope of the exclusion.²³³⁶ Moreover, because the counterclaim plaintiff was seeking to protect its "company name and brand," the subject matter of its claims could not be considered a "slogan," the alleged infringement of which triggered the exception to the exclusion.²³³⁷

Whether or not it was calculated to have such an effect, the theory of actual damages pursued by the plaintiffs in one underlying action resulted in a successful motion for summary judgment by a carrier in a dispute governed by Wisconsin law.²³³⁸ The policies in place during the alleged infringement contained advertising injury clauses, but they also contained exclusions of coverage for the defense of advertising injuries arising from breach of contract. A development in the underlying case led the carrier to move the court for summary judgment on the ground that coverage no longer existed: As the court described it, "although the complaint [in the underlying case] brings claims asserting trademark violations, discovery has confirmed that the damages Plaintiffs seek arise solely out of the parties' contract . . ."²³³⁹ In granting the carrier's motion, the court faulted the insured for emphasizing the carrier's duty to defend. As it saw things, "[w]hen the insurer asserts that the coverage question can be resolved on

2333. *See id.* at 910.

2334. *Id.*

2335. *Id.* at 911.

2336. *Id.* at 911-12.

2337. *See id.* at 912-13.

2338. *See Beerntsen v. Beerntsen's Confectionary Inc.*, 102 U.S.P.Q.2d 1159 (E.D. Wis. 2011).

2339. *Id.* at 1160.

summary judgment, as here, the insured is obliged to come forward with evidence that the disputed claims [for coverage] actually have sufficient merit that they continue to require the insurer to defend the action.”²³⁴⁰ In the case before it, however, “[b]y focusing solely on the duty to defend analysis, the insured has essentially conceded that there is no argument that coverage actually exists any longer.”²³⁴¹

In another case, it was the express terms of the overall complaint in the underlying action, and not merely the plaintiff’s prayer for relief that led to the denial of coverage.²³⁴² The policy, which was governed by Florida law, excluded coverage for claims arising out of the “infringement of copyright, patent, trademark, trade secret, or other intellectual property rights.”²³⁴³ It was undisputed that each of the causes of action asserted in the underlying action was, on its face, styled as one of the excluded torts, but the insured argued that the complaint nevertheless encompassed claims for slogan and trade dress infringement. That theory fell short as a matter of law on the parties’ cross motions for summary judgment.

The slogans allegedly at issue were TIGHT!, TIGHT FEM, TIGHT! HARDCORE, and TIGHT XTREME, which the underlying complaint characterized as trademarks for nutritional supplements. According to the insured, these marks had been rendered slogans by the complaint’s references to the insured’s improper use of the plaintiff’s TIGHT! mark “in combination with other words” and to the insured’s adoption of the plaintiff’s “marks, words, and symbols.”²³⁴⁴ The court was unimpressed with the insured’s argument, which it interpreted as turning on the proposition that “if meaning is given to every word in the document, the only logical meaning of [the plaintiff’s] inclusion of ‘words’ and ‘in combination with other words’ is that [the insured] infringed on [the plaintiff’s] slogan”;²³⁴⁵ rather, “[the plaintiff’s] use of these ‘buzz words’ is insufficient to trigger coverage because the complaint did not contain any factual allegations referring to [the plaintiff’s] slogan or [the insured’s] infringement of that slogan.”²³⁴⁶ The court also rejected the insured’s argument that the plaintiff’s request for the destruction of all “advertising, flyers,

2340. *Id.*

2341. *Id.*

2342. *See James River Ins. Co. v. Bodywell Nutrition, LLC*, 842 F. Supp. 2d 1351 (S.D. Fla. 2012).

2343. *Quoted in id.* at 1354.

2344. *Quoted in id.* at 1355.

2345. *Id.*

2346. *Id.*

containers, labels, or packaging bearing the term ‘tight’²³⁴⁷ meant that the plaintiff was pursuing a claim for trade dress infringement. That theory, it held, “asks me to infer too much. I ‘need not stretch the allegations beyond reason to impose a duty on the insurer.’”²³⁴⁸

Finally, one opinion demonstrated even if coverage might otherwise be available, an insured can take itself outside of the scope of its policy through its own post-claim behavior.²³⁴⁹ The insured in question had failed to respond to repeated efforts by its carrier and by defense counsel retained by the carrier to contact it and its principal. It then settled the underlying action without the carrier’s knowledge or participation by entering into a consent judgment of \$1,000,000, which was “a decidedly larger sum than [the plaintiff in the underlying action] had negotiated in prior settlement agreements with other alleged infringers in similar cases.”²³⁵⁰ The insured’s signatory to the consent judgment had been the carrier’s only point of contact with the insured until the signatory represented to the carrier’s defense counsel that he was no longer affiliated with the insured;²³⁵¹ in the consent judgment, however, the signatory was described as the insured’s “owner.”²³⁵²

In the subsequent declaratory judgment action by the carrier against the plaintiff—which had acquired the right to any proceeds due under the insured’s policy—the carrier unsuccessfully moved the court for summary judgment on the theory that the insured’s conduct fell within a policy exclusion triggered by the willful infliction of advertising or personal injuries.²³⁵³ The carrier nevertheless prevailed on an alternative ground underlying its motion, which was that the insured had failed to comply with a policy condition requiring it to cooperate in the investigation and

2347. *Quoted in id.*

2348. *Id.* at 1356 (quoting *Trailer Bridge, Inc. v. Ill. Nat’l Ins. Co.*, 657 F.3d 1135, 1144 (11th Cir. 2011)).

2349. *See State Farm Fire & Cas. Co. v. King Sports, Inc.*, 827 F. Supp. 2d 1364 (N.D. Ga. 2011), *aff’d*, No. 11-16169, 2012 WL 3832062 (11th Cir. Sept. 4, 2012).

2350. *Id.* at 1369. “In fact,” the court found, “over the prior ten years, [the plaintiff] settled approximately fifty cases against alleged infringers; in none of those settlements was the amount to be paid more than \$10,000.” *Id.*

2351. *See id.* at 1368.

2352. *See id.* at 1369.

2353. The carrier’s motion as to this issue was grounded in, inter alia: (1) “wonderfully imprecise” testimony by the insured’s signatory to the consent judgment on the subject of the insured’s knowledge of the unlawful nature of the goods it was selling; (2) prior trademark-based lawsuits against the insured by third parties; and (3) “speculative” testimony by the plaintiff’s vice-president of global legal enforcement that he was confident that the insured knew it was violating the law after receiving a cease-and-desist letter from the plaintiff. *See id.* at 1371-72. The court held that these considerations were insufficient to establish the insured’s willfulness as a matter of law. *See id.* at 1372.

defense of the plaintiff's claims in the underlying suit; moreover, and beyond the policy's express terms, controlling Georgia law held that "[t]he insured is obligated to assist in good faith in making every legitimate defense to a suit for damages."²³⁵⁴ The court had little difficulty determining that the insured had failed to cooperate with the carrier and that the insured's failure had been material,²³⁵⁵ which, "coupled with [the] unilateral execution of a settlement agreement with [the plaintiff], constitutes a willful and fraudulent failure to cooperate as a matter of law."²³⁵⁶ Because there was no material dispute that the carrier "had made diligent, good faith efforts to gain their cooperation, as a matter of law [the carrier] owed [the insured and its principal] no duty to defend them in the underlying suit."²³⁵⁷

2354. *Id.* (quoting *H.Y. Akers & Sons, Inc. v. St. Louis Fire & Marine Ins. Co.*, 172 S.E.2d 355, 359 (Ga. Ct. App. 1969)).

2355. *See id.* at 1373-74 ("While it is true that where 'the insured cooperates to some degree or provides an explanation for its noncompliance, a fact question is presented for resolution by the jury,' the undisputed fact is that although [the on-again, off-again employee and signatory] had some communication with [the defense counsel chosen by the carrier], [the insured and its principal] provided [defense counsel] with no *substantive* information—and thus, no actual cooperation—in the underlying suit." (quoting *Diamonds & Denims, Inc. v. First of Ga. Ins. Co.*, 417 S.E.2d 440, 442 (Ga. Ct. App. 1992)).

2356. *Id.* at 1375.

2357. *Id.* at 1379.

Although this holding rendered moot the plaintiff's counterclaim for the proceeds it claimed the insured was due under the policy, the court proved willing to enter summary judgment to the carrier as to the counterclaim as well. It identified two reasons for doing so:

- (1) in violation of the policy, [the insured] voluntarily assumed obligations in the settlement and assigned its rights without [the carrier's] knowledge and consent, and
- (2) the policy only allows the insured to bring suit under the policy where all policy conditions have been complied with and there has been an "agreed settlement" or judgment after a trial.

Id.

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